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RAN's Volkov on Yugoslavia

954Q0272A Moscow TRUD in Russian 18 Aug 95 p 6

[Interview with Vladimir Volkov, director of the Institute of Slavic and Balkan Studies of the RAN, by TRUD correspondent Rustem Urmantsev: "The Yugoslav Tragedy"]

[FBIS Translated Text] **The exodus of Serbs following the Croatian aggression is continuing. Tens of thousands of peaceful residents extend through Bosnian lands to the borders of Yugoslavia (Serbia and Montenegro). According to the latest reports, up to 120,000 refugees have amassed at the crossing points. Such an exodus and human tragedy on such a scale have not been seen in the Balkans during the entire postwar period. What are the sources of this tragedy and what are the consequences of the current situation in the Balkans? We asked these questions of Vladimir Volkov, director of the RAN Institute of Slavic and Balkan Studies.**

[Volkov] I am convinced that the current stage in the Yugoslav crisis was planned in advance. There was not even a hint of improvisation in Croatia's latest wide-scale military operations against the Serbs.

Let us review the events of the past 6 months. The Western powers are continuing their blockade of Serbia and Montenegro. The blockade, introduced back in 1992, is assuming the form of economic genocide against the Serbian people. It is a ban on trade and transportation links, and a blockade of foreign bank accounts. And although Yugoslavia is adhering to practically all the conditions, demands are being escalated and more and more new reasons are being advanced to prevent the embargo from being lifted. Moreover, the "Contact Group" is demanding that Yugoslavia ensure that there are no ties between it and the Bosnian Serbs. Lifting of the embargo is promised in return. This condition is also carried out. But international society lets Yugoslavia down, and the blockade continues.

All NATO's forces are aimed at putting the Serbs in a position of strict international isolation and strangling them economically. But while Yugoslavia still has some resources, the Bosnian Serbs are under a complete blockade. The situation of the Serbs in Krajina is even more difficult. After all, the Bosnian Serbs have been their only source of supply, as well as all their hopes.

This is what the cascade of anti-Serbian measures has been like. But now look at what comes after this. The start of the "Flash" operation—Croatian troops seize part of the territory of Serbian Krajina, which is under the protection of the UN peacekeeping forces. With the most flagrant violation of all international agreements—and not one word of condemnation from the West. But after all, they punished Serbia by a blockade at one time for similar actions!

Further. An offensive by the Bosnian Muslims is under way. They are beginning it essentially behind the backs of the blue helmets. Once again there are no objections from the Western powers. But then, the retaliatory countermeasures by the Krajina Serbs are followed by NATO air strikes on Serbian positions.

Finally, the "Storm" operation at the beginning of August. The Croatian Army seizes a vast amount of territory. There have not been military actions on such a scale during the entire history of the Balkan conflict. Meanwhile, the Serb forces are scattered, they feel that they have been politically betrayed by the world community, forgotten, and that they are being deliberately crushed.

What actions are being taken by the international community in this situation? None. The only words of condemnation being heard come from Russia. But the largest act of ethnic cleansing comes after the military operation. Huge throngs of refugees are subjected to attacks from the so-called peaceful Croatian residents, who rape and even kill them. And once again there is no reaction.

The exodus of the Serbs gave rise to an orgy of chauvinism in Croatia. This can only be called a wave of retaliation. The Bosnian Serbs are driving tens of thousands of Croatian and Muslim families out of the territories which they control. This is a tragedy for all Slavic peoples.

From the very beginning, Russia has upheld the principle of equal responsibility of all participants in the conflict for its consequences. The point is that a shameless idea has long been advanced through the Western powers' efforts: that only the Serbian side is responsible for all the military actions in the Balkans. And it is as if the Croatians and Muslims were given an indulgence for all their sins. The attempts by Russian diplomacy to rectify this list to one side is viewed in the West and a number of Muslim countries as a pro-Serbian position. You are defending the Serbs, they say. But whom should we defend? The Croats? From whom?

At the same time, Russia's so-called "Slavic interests" in the region are being exaggerated. This is a bluff. I will point out an obvious fact: all participants in the conflict are Slavs.

To all appearances, the West is continuing to set its hopes primarily on a solution by force. To start with, they are making attempts to change the balance of military forces in favor of the Croatians and Muslims, and then to dictate their own conditions to the Serbs. This is a shortsighted position. We should not forget that throughout the postwar period, Yugoslavia's army ranked third in Europe in size and combat efficiency. It is a large, well-armed and well-trained army which has maintained its morale and combat potential. But if actions by the Western powers lead to war between Croatia and Serbia? What then? Incidentally, Yugoslav President Milosevic is already being subjected to pressure from certain circles for "inaction" and for "betraying the Serbs." For the present, he has succeeded in holding off this charge...

But lately we have been observing a carefully staged performance. Under pressure from the West, Croatian President Tudjman is refusing an invitation to go to Moscow. He is riding a white horse, he is a "victor." The orchestra plays a flourish, and an American delegation touring Europe comes on stage. Yes, everything has been staged. Improvisations such as these do not exist in international politics.

The development of events in the Balkans and the one-sided position of the Western powers, I am profoundly convinced, may lead to tragic consequences throughout Europe. For example, what is the value of the U.S. statement that the Clinton administration will seek a transfer of all functions to maintain peace in the region to new multinational forces under NATO leadership? This means turning Croatia, along with a number of Balkan countries, into a NATO protectorate. After all, in order to "maintain peace" an army of many thousands will have to be based permanently there. So a dangerous new breeding ground for conflicts will be created in Europe which will surpass the explosive potential of the Middle East.

But what can we do as a result? The practice of a double standard has been introduced in international relations. Who will be charged with ensuring that this tactic, developed in the Yugoslav example, is not applied against Russia? Moreover, the place and influence of the United Nations has been deformed in the world. It is losing its positions, yielding them to NATO. The same thing is taking place on the European continent: the CSCE is losing its influence, once again in favor of NATO and the European Community. And Russia will find itself more and more isolated in the world arena. These changes can be regarded as tragic.

And in conclusion, a few words about the possible development of events in the near future. It is entirely likely that an international conference will be held on the Bosnian problem. But the West will almost certainly insist on its policy of a double standard there. Croatia, despite the fact that it committed a crime against all the peoples of Yugoslavia by its recent actions, will not be subjected to any sanctions. A deadlock...

One thing is clear: we need to plan the outlines of a peace which reveal the prospects for peaceful coexistence of the Yugoslav peoples without foreign interference.

Gold Extraction Industry State Programs

954F3171A Moscow ROSSIYSKAYA GAZETA in Russian 18 Aug 95 p 12

[Two-part article by ROSSIYSKAYA GAZETA correspondent Yuriy Kirinitsiyanov, Almaty, and Vasiliy Starov: "The Gold Reserve Does Not Stretch the Pocket..."]

[FBIS Translated Text] **Projects: State programs for developing the gold extraction industry have been prepared in Almaty and Bishkek.**

In Kazakhstan

A rather long ingot of dull yellow color fitted easily in the palm of American engineer Gavin Biyer [transliterated name.] Biyer, who is in charge of smelting from start to finish, showed it to those who were present. That event, which occurred a year ago, opened up a new era for Kazakhstan: the ingot contained 835 grams of pure gold (so-called cathodic gold, with a content of as much as 94-96 percent of the basic product).

Gold like that had never been previously produced in Kazakhstan, although people had known for a long time about the gold reserves in the republic. The exploitation of the Bakyrchik deposit (Semipalatinsk Oblast) began in the early 1960's. But Soviet metallurgical science had been unable to resolve the main question: how to purify the gold-bearing ore of the poisonous admixtures of arsenic. At the metallurgical combine that was built in the 1960's it was noted that, despite the social benefits, there was a high percentage of occupational diseases. And, in addition, the local gold concentrate was of such a low quality that it had to be sent to Russia for processing.

Nor did the situation improve any immediately after the collapse of the Union. People attempted to leave the mining settlement by any means, which, incidentally, was not so easy to do. There still is no railroad here, and it is at least 200 kilometers to the oblast center. But the city was becoming empty... The apartments that had been left were cleaned out by looters, who attempted to carry away literally everything that could be untwisted or unscrewed. The equipment that had been assembled from all parts of the Union in order to obtain the precious concentrate was rapidly becoming useless.

Nevertheless, the creative processes were also building up strength. Soon after Kazakhstan acquired its independence, the Altynalmas national joint-stock company was formed. Its activities were monitored by Nursultan Nazarbayev. Incidentally, it is felt in Kazakhstan that, on the basis of its importance and influence, the position of the president of that company is equivalent to a ministerial one. Interest in cooperating with Kazakhstan has been demonstrated by many companies. After the tender, the choice fell to two American companies.

That is a nice makeweight for the republic, which currently produces no more than 5 tons of gold a year. Kazakhstan, by relying on cooperation with the Americans, counts on pulling up alongside of Uzbekistan, which occupies second place (after Russia) in the post-Soviet world with regard to gold extraction: 60-65 tons a year. It is extremely substantial that the ecologically pure technology for obtaining the precious metal presupposes also the obtaining of arsenic, which Kazakhstan's pharmaceutical industry eagerly purchases. And that has a favorable effect on the production costs of the basic product.

A total of $5 million has already been expended to built an experimental plant in Bakyrchik, and it will be necessary to invest more than $100 million additionally. Two plants (one is planned for oxidized ores, and the other will use a mixed technology) will produce annually as much as 7.2 tons of cathodic gold of the same purity that was achieved at the first smelting. Incidentally, a transnational company has been opened for cooperation with other countries. Equipment from Canada and Taiwan is already in operation here, and the assembly is being carried out by specialists from neighboring Russia.

The construction of the plants and a new settlement next to them is being carried out with foreign credit, the total amount of which is not mentioned. It is known only that the time period for paying back the construction is three years. During that period of time all the profit will be divided in the ratio of 7:3, in favor of the foreign investors. After three years the situation changes in mirror image — 3:7 in favor of Kazakhstan. Naturally, those preferential terms attract investors.

Today various alternatives of cooperation with companies are being considered in Australia, Canada, Germany, and other countries. If the extraction is carried out at today's level, there are enough reserves for 100 years. As has been reported by the Kazakhstan press, the republic has 195 deposits. The number of gold-ore deposits proper is 146, and the others are part of deposits of polymetallic ore. It is estimated tentatively that the "gold reserve" in the Kazakhstan deposits is 6000 tons.

For purposes of comparison: in South Africa the reserves constitute 33,000 tons; in the United States and Russia, 8000 tons each; in Canada and Brazil, 3700 tons each; and in New Guinea, 2600 tons. Meanwhile, for the time being Kazakhstan occupies seventeenth place in the world in gold extraction. But without a doubt the situation is supposed to change before the end of the century: it is proposed to invest in the branch the astronomical amount of $1.5 billion. Two-thirds will be covered by foreign investments and credit, and the company will assume the rest.

And in Kyrgyzia

While, in Kazakhstan, the first high-test golden ingots to be sent to the homeland's granaries are being examined, in Kyrgyzia the negotiations about creating similar joint ventures have reached the finish line of applying the signatures.

The fact of the matter is that in Kyrgyzia, which is by no means rich in resources, it is precisely the gold-bearing deposits, experts feel, that can create to a considerable degree a shock-absorbing pillow for the national economy which, in its movement, has been experiencing all the bumps of the transitional period.

The importance of the new transaction for assimilating the Kyrgyz gold-bearing deposits with Canadian partners was emphasized also by the personal interest shown by President Akayev in the course of the complicated negotiations.

Properly speaking, the project's financial base was prepared thanks to the immediate attraction of several investors. Among them one can isolate Chase Manhattan Bank, which guaranteed the obtaining of credit in the amount of $140 million, as well as Kyrgyzia's basic partners from the Cameco Canadian company. Incidentally, the Canadians have assumed the main burden of locating funds: of the 220 million remaining, they themselves are investing 45, plus the financial support of the European Bank of Reconstruction and Development.

Naturally, the decision to invest funds in the development of Kyrgyz gold was made not without certain trepidations, taking into consideration the climate in the CIS countries that is not too attractive for investments, primarily the political climate. And this is despite the rather large-scale deposits of gold-bearing ore that have been confirmed by international experts.

According to specialists, if one proceeds from the present-day prices of the "yellow metal" in the world markets, the total reserves in the Kumtor deposit, for example, will reach $6.5 billion. In a word, a major piece of Kyrgyzia's natural mineral reserves is supposed to be drawn into circulation, and at the same time a legal precedent for formalizing similar agreements will be largely created.

The fact of the matter is that the Canadian company managed to lower its risk of investment in a zone of not the highest reliability by enlisting the guarantees of an American corporation for insuring private investments — OPIC.

It is typical that in Kyrgyzia the Canadian Cameco company seemingly makes it debut in a business that is new for it —gold-extracting. It is precisely in Kyrgyzia that the Canadians who formed the joint venture with the local state decided *de jure* to expand their horizons, inasmuch as previously they had basically specialized in the extraction of uranium. In the new joint venture the Canadians own one-third, and the state concern owns the remaining two-thirds.

The extraction process itself can be begun in two years, and, according to certain forecasts, the first year of operating the deposit may bring pure profit in the amount of $150 million.

It is typical that the Akayev government from the very beginning enjoyed the solid support of the West, inasmuch as it was precisely the country's first president who managed to create for Kyrgyzia the image of the most democratic and most advanced state in the area of reforms in post-Soviet Central Asia. It was precisely Akayev who managed, earlier than his neighbors, to obtain a substantial loan from the International Monetary Fund, reinforcing his own currency, and then to "pave the road" for major foreign investments in the national economy. And the treaty to develop Kumtor is a very good sign for Akayev's team.

Political Issues

Yeltsin Edict on Administration Analyzed

954F3072A Moscow LITERATURNAYA GAZETA in Russian 9 Aug 95 No 32, p 10

[Article by LITERATURNAYA GAZETA observer Oleg Moroz on what last week attracted universal attention: "Russia as Part of the President's Office: This Is the Role, Possibly, That It Will Shortly Be Assigned By One of Yeltsin's Edicts"]

[FBIS Translated Text] An edict with the unpretentious title "Administration of the President of the Russian Federation" appeared in the press last Tuesday. It says that this administration now includes, aside from the usual subdivisions and services, "STATE AUTHORITIES, WHOSE LEADERSHIP SHALL BE EXERCISED BY THE PRESIDENT DIRECTLY."

Which are these "state authorities"? They are listed in another presidential edict—No. 66 of 10 January 1994. They are the ministries of defense, internal affairs, and foreign affairs, the Federal Television and Radio Broadcasting Service, the State Archives Service, the Main Protection Directorate, the Foreign Intelligence Service, the Federal Government Communications and Information Agency, the Federal Border Service, and the Federal Counterintelligence (now security) Service.

Thus did a compact office born of a single stroke of the pen result.

For what purpose was this entire rationalization undertaken? There are several conjectures here.

Rationalization for Rationalization's Sake

The edict says: The entire aforesaid reshuffle of the administrative furniture is being undertaken "to support the coordinated operation" of the "state authorities" themselves. But the world has yet to see, probably, a more fantastic and more absurd office system than that which has been formed as a result. This is what we have. The Ministry of Defense, the MVD, the Ministry of Foreign Affairs, the Foreign Intelligence Service, the Federal Security Service, the Federal Border Service... these all in aggregate are now the administration. The head of an office is, as we all know, its leader. So hence forward he will be in charge not only of the officials who are a direct part of the President's Office—in the former, primordial concept—but also of the Ministry of Defense, the MVD, the Federal Security Service.... The edict employs, it is true, the word "coordinate"—COORDINATE their activity, but who precisely will determine where the border between coordination and leadership runs? One thing is clear: If you have been incorporated in some office, be so good as to submit to its chief.

What precisely is not subordinate to the leader of the administration is the Presidential Security Service—it is given a special clause in the edict. Although it is a part of the administration, the SBP [Presidential Security Service] remains self-contained here. In addition to the fact that it is now a "state authority within the administration," it is, further, "an organ of operational control in the system of the federal state protection authorities." "Aha," it suddenly dawns on us, "it is, consequently, subordinate to the GUO, the Main Protection Directorate?" By no means, just the opposite—it is the GUO that is subordinate to the Presidential Security Service: According to another edict, which was issued simultaneously with the edict on the administration, the Main Protection Directorate "is a facility of operational control of the Presidential Security Service."

Can you understand any of it? I can't. Even S. Filatov, the president's chief of staff, cannot: In order to figure out who is now subordinate to whom, who coordinates what, and who is who's "facility" he even formed a "special group". After which, he went on leave.

Despite the entire inarticulateness of the administrative perturbations, as they are prescribed in the edicts, their main purpose is, in general, clear—their publication signifies an unprecedented strengthening of the power of the administration and the president's security service.

Why is all this being done?

A Measure Against Conspiracies?

Yeltsin has already survived two putsches. What is more, in neither of them was his victory by any means predetermined. Things could have turned out either way. So, in principle, looking back at past experience, he has reason to be apprehensive.

Although in the communist post-Stalin times the techniques of conspiracy were somewhat different from what they are now, generally, both then and now everything has amounted and continues to amount to a few artless operations. Earlier the main thing was to secure for oneself a majority in the directive party body—the Central Committee Presidium and the Politburo and, sometimes, at a Central Committee plenum. And, of course, to earn the obedience and assistance of the army and state security. This technique shows through clearly in all the best-known conspiracies of that time.

July 1953.... The conspiracy against Beriya. Khrushchev had prevailed upon a majority of members of the Central Committee Presidium. He had won the support of Marshal G. Zhukov and General of the Army K.

Moskalenko. A plenum was not convened. Beriya was arrested directly at the session of the Presidium. State security, which had partially opposed the conspirators, overlooked the arrest of its boss.

June 1957.... A conspiracy against Khrushchev himself. The conspirators, again on the sly, cobbled together a majority in the Presidium. Molotov, Malenkov, Voroshilov, Kaganovich, Bulganin, Pervukhin, Saburov.... "And Shepilov, who sided with them." They were sure that this was sufficient. That Khrushchev, like Beriya also, was now a goner. But a majority of the Central Committee plenum was on the side of Khrushchev. Also on his side were the army and state security. The conspirators tried with might and main to prevent a plenum being convened, but KGB Chairman I. Serov secured the swift conveyance of members of the Central Committee to Moscow, and Marshal G. Zhukov addressed the plenum with a sternly-worded warning to the "factionalists": the army is not with you. The conspiracy failed.

October 1964.... The second conspiracy against Khrushchev. Now all were against him—the Presidium, the full Central Committee, the army, the KGB. And although an officer of state security warned Khrushchev in good time about the coup that was being prepared, the latter did nothing to forestall it. Realizing, evidently, that with such a breakdown of forces this was useless.

No unified directive body like the Central Committee Presidium or the Politburo exists in our time, as we know. There is no need to cobble together, as before, a majority, meeting and whispering somewhere out hunting, fishing, or at a soccer match. As the experience of the past two putsches has shown, the conspirators ensure an appearance of legality for their actions either by edicts of some illegal organ of power—of the State Committee for the State of Emergency type—or by decrees of a body which is perfectly legitimate, but which is in confrontation with another branch of power. And the army and state security once again have the decisive say.

In August 1991 everything ultimately ended in Yeltsin's favor owing to the fact that Yazov and Kryuchkov acted insufficiently decisively, and their subordinates at the decisive moment—when the White House needed to be stormed—refused to carry out even these insufficiently decisive orders.

In October 1993 the actions of the army, state security, and the MVD were also quite unintelligible. Just one Vityaz detachment, which was able to defend Ostankino, and four tanks, which began to fire blanks at the architectural wedding cake on Krasnopresnenskaya Embankment, could be scraped together....

Is there a danger of a putsch today? I do not believe so. First, the constitution flatly deprives the present legislative authorities of the opportunity to venture upon some serious contretemps: any protest against the executive authorities would immediately, without any appeals to the Constitutional Court, be viewed as illegal. Nor is the composition of these authorities today such as would venture something of the kind. Second, all the power structures have been dependably seized by the executive and are in its tight orbit. They were in this position even before the recent appointments and edicts, what is more. So that these appointments and edicts have not added much here. In the sense of protection against an unexpected putsch, I mean.

Conspiracy in Support of Yeltsin?

As has frequently been the case, the edict on the administration slipped around the Kremlin corridors by some uncharted, circuitous routes. It was adopted, for example, without any participation on the part of Yu. Baturin, the president's security assistant, or legal assistant M. Krasnov. And S. Filatov himself, the chief of staff, to whose command just about half the country has now been assigned, clearly did not know about this edict, it would seem. This shows once again that there is a nominal presidential entourage and a true POLITBURO, OF SORTS. Baturin, Krasnov, and a number of other figures are not a part of it. When it is a question of key issues of self-survival and the preservation of power, they can be dispensed with. Viktor Ilyukhin, chairman of the Duma Security Committee, with whom I have spoken, is sure that the edict was prepared by the Presidential Security Service.

The time at which this document appeared is noteworthy also. The elections are approaching. Yeltsin has only just gotten over a serious illness. His approval rating is just several percentage points. The future is a fog.

Yes, he confirms constantly that both the parliamentary and presidential elections will be held. Held on schedule. But the mere fact that Yeltsin is continually being asked to repeat this clearly shows that there is somehow no great belief in this. The reason is simple: this is our first president, there is no precedent for the transfer of power via elections. In past times, as we know, communist monarchs left their throne, for the most part, feet first. And here we have this edict.... What might it signify? If the president and his entourage are prepared after a certain length of time, less than a year, to submit to the will of the electorate and to quit the scene—and this outcome of the ballot is more than likely—why all these pretentious administrative novelties and impossible conglomerations? Why this so obvious, entirely unconcealed aspiration to fully, conclusively bring all the power structures under their jurisdiction? The answer suggests itself. "The edict of the president," V. Ilyukhin believes, "is one further attempt to extend his stay on the Olympus of power, on this occasion, with the aid of the power structures. I am most profoundly convinced that the issue of this edict is one further step toward the conclusive formalization of authoritarian power in Russia."

In Ilyukhin's opinion, there are two versions of the stymieing of the elections—parliamentary as yet—soft and hard-line. Soft means tying up the adoption of the laws without which elections are impossible. It is this scenario, in fact, which is being realized today: the latest law from this package—on drawing the electoral districts—is hung up between the Duma and the Federation Council.... As far as the hard-line version of the stymieing of elections is concerned, the intention here, Ilyukhin assumes, is to provoke in four or five regions mass unrest, after which to announce the postponement of the expression of the popular will sine die. Finally, the unsubtle version of the direct employment of the power structures is possible also. And for this the total coordination of their actions is, truly, required. It cannot be ruled out that it is at this, inter alia, that the edict on the administration is aimed.

Another deputy, Lev Ponomarev, cochairman of Democratic Russia, believes that the direct stymieing of parliamentary elections need by no means necessarily be a part of the designs of the "collective president," which the administration hence forward will become. It can be done more simply—ensuring by the manipulation of election laws that the results of the ballot are ambiguous and unreliable. The new law on the drawing of electoral districts does not pass, say, and the elections are held according to the old boundaries. But a 20 percent difference in the numbers of constituents between different districts is permitted here, and according to the new law on the election of deputies of the State Duma, the difference must not exceed 10 percent. In this case a "Kazakh" situation would arise after the elections: protests start, and the elections are deemed null and void. Some will agree with this, some, not, Our Home Is Russia, for example, if the elections prove successful for it, the Home. A tough confrontation will arise here. The argument of the fist will be set in motion here. "The White House could once again find itself under siege," L. Ponomarev believes.

Vladimir Isakov, chairman of the Committee of the State Duma for Legislation and Judicial-Legal Reform, with whom I had a conversation as well, also believes that the main purpose of the edict is "to bring the power structures directly under the jurisdiction of the president and even to formally withdraw them from the government. To be perfectly candid, from subordination to Chernomyrdin, if only nominally."

Even to formally withdraw from the government.... Sounds pretty good, huh? "Essentially, the edict on the administration signifies an attempt to create one further government," V. Ilyukhin confirms. "This is one further blow at the prestige of Chernomyrdin. An expression of no confidence in him."

In actual fact, the political strengthening of the premier, which has been perfectly apparent as of late—particularly in connection with the successful negotiations in Groznyy—cannot fail to disturb Yeltsin's entourage. And, in addition, the ill-fated presidential heart attack and the talk about the inheritance of power by the chairman of the government....

But the main problem, of course, are not the parliamentary but the presidential elections. "In this respect the edict on the administration is particularly dangerous," L. Ponomarev is certain. "The 'collective president' will do everything, of course, to ensure that Yeltsin remain in power. I know for a fact that there are people in the president's entourage who are prepared to take illegitimate steps for the sake of this."

Why, in fact, need they take such steps? For the sake of keeping Yeltsin in power the new edict makes it possible to do almost anything they like, and everything will be considered perfectly legal.

Conspiracy Against Yeltsin?

The edict essentially creates some PRESIDENTIAL UNDERSTUDY. Both collective—his administration, and individual—the chief of staff. This understudy is endowed with all the vitally important powers which the president himself has.

It is clear that the present leader of the president's office, S. Filatov, is not the figure who will be kept on as head of the "post- edict" hypertrophied structure. The names of the possible candidates for this essentially new office—the office of the country's No. 2— have already been mentioned. They include, of course, Lobov, Soskovets.... And somewhat surprisingly, it would seem, Shumeyko.... Why not he, come to that? The speaker of the upper chamber of parliament has recently been laying claim to some special role in politics—we recall just how he suddenly swooped down recently on Abkhaz leader Ardzinba (such sudden combat operations are more typical of the style of General Korzhakov). In addition, he has declared repeatedly that he is prepared to part with his familiar spot of chairman of the Federation Council: He is "catching it" all too much from the members of the Council. He is "catching it" most often, incidentally, in connection with his constant unscrupulous playing up to the president.

Nonetheless, for what purpose—keeping, it might seem, a strict watch on the president's interests—are the structures which are under the jurisdiction of the head of state as it is being brought under the jurisdiction of his chief of staff? It is logical to assume that this is being done in case the president suddenly proves incapacitated. But another version is possible also—in case he is DECLARED incapacitated. Like Gorbachev in Foros.

Let us imagine the first—that Yeltsin is once again taken ill, in such a way that he can no longer sign papers in hospital even. It is at this moment that his understudy comes into play in full. He could perform the functions of the president for quite some time. There are more than enough examples of such productive understudying in our recent history—Stalin, Brezhnev, Andropov, Chernenko.... They all in the home stretch "guided the country" through the agency of an administrative staff which duplicated their functions.

Of course, everything is being done at this time in the interests of Yeltsin, as it were. By his good and devoted friends, many of whom are obliged to him for everything. But there are no friends, as we know, in matters of power. There are only allies. And allies remain such merely for the time being.

Brezhnev and Shelepin were no less devoted to Khrushchev than Lobov and Korzhakov to Yeltsin. Khrushchev turned them, it may be said, from paupers into princes. But it was they who became the principal characters of the conspiracy against their benefactor (some maintain that Brezhnev played first fiddle, others, "Iron Shurik," Shelepin).

In some sense Yeltsin is now in an even more vulnerable position than Khrushchev in October 1964 or Gorbachev in August 1991. There was no information about the poor health of Khrushchev or Gorbachev on the eve of their removal "owing to their state of health". It is all entirely otherwise with Yeltsin. His illness was broadcast extensively. In addition, there is a multitude of rumors concerning his regular periods of indisposition. L. Ponomarev: "These rumors are not without foundation, evidently. In this case the president's chief of staff becomes, in fact, regent when the president is incapacitated. If it is recalled, in addition, that he has control of all the power structures that exist in Russia, this is fearfully dangerous."

Yes, this is, truly, fearfully dangerous. For we have seen that at the time of the past conspiracies that occurred in our fatherland by no means ALL the power departments acted on the side of the conspirators, but even here the conspiracies were successful. What, then, can be said about a situation of the MONOPOLY possession and disposal of these departments?

We have essentially already observed repeatedly in recent months ELEMENTS OF A CONSPIRACY AGAINST THE PRESIDENT. We recall, for example, how he publicly and repeatedly declared that he had ordered an end to the bombing in Chechnya, but meanwhile it merrily continued. We recall how in Halifax Yeltsin, evidently at his advisers' prompting, attempted to open the world's eyes to the kind of villains these Chechens are and how it is impossible to conduct any negotiations with them and the following day, as though nothing had happened, approved these negotiations. Is not the entire Chechen adventure a far-reaching anti-Yeltsin conspiracy? After all, nothing else has so irreparably shaken his authority or dislodged him from the saddle to such an extent. Finally, how many times have these most amateurishly made edicts been shoved across to him for signature, with him subsequently being forced to cancel them—once again with considerable damage to his reputation....

Let us return, however, to the edict on the administration. "I believe," L. Ponomarev says, "that it is one of a sequence of steps toward the revival of a totalitarian regime in Russia. The first of these steps was the restoration of the KGB. This department is truly now being restored, resurrected. These are not some conjectures, they are indisputable reality. The second step, which is coming to be taken, is the bridling of the news media. Among the most striking examples is the institution of criminal proceedings against NTV—in connection with Kukly, in connection with the interview with Shamil Basayev.... The appearance of the edict on the administration is the third step on this appalling, pernicious path."

...A few days ago a group of comrades began a campaign to nominate Boris Nikolayevich for a second presidential term. Memories of 1991 immediately came flooding back. The giant demonstrations in support of the people's favorite, the voices of many thousands carrying to the Moscow skies: "Yel-tsin! Yel-tsin!" Alas, alas.... The legend is fresh, but believing is hard. A different era, a different time.

One of the present enthusiasts collecting signatures in support of Yeltsin, incidentally, rebuked politicians and journalists devoting, as he believes, too much attention to the health of the head of the Russian state: President Roosevelt was wholly paralyzed and governed America from a wheelchair, and pretty well at that. A strong argument, truly. It would be good to learn, in addition, whether Roosevelt, when he was taken ill, issued an order on the incorporation of the Pentagon, the CIA, the FBI, and other such departments in the White House staff.

Patriarch Surveys Church, State Issues

954F3119A Moscow ARGUMENTY I FAKTY in Russian Aug 95 No 33, p 3

[Interview with Aleksiy II, patriarch of Moscow and all Russia, by ARGUMENTY I FAKTY correspondent Natalya Zhelnorova; place and date not given: "Patriarch: 'Not Every Spirit Is To Be Believed'"]

[FBIS Translated Text] Patriarch Aleksiy II is the 15th head of the Russian Orthodox Church since the patriarchate was instituted in Russia. In the secular world, he is Aleksey Mikhaylovich Ridiger. Was born on 23 February 1929 in the city of Tallinn, into a deeply religious family. On 3 March 1961, in the St. Sergiy Trinity Lavra, he was admitted to the monastic vows, and on 14 November 1961 Bishop Aleksiy was appointed deputy chairman of the Moscow Patriarchy's foreign church relations. From 1964 to 1986 Archbishop Aleksiy was the Moscow Patriarchy's administrator of affairs. In 1968 he was promoted to the rank of metropolitan. In 1989—elected a USSR people's deputy.

He was elected Moscow patriarch at the Local Council of the Russian Orthodox Church. The installment took place on 10 June 1990.

[Zhelnorova] Many people are turning to God, to the church, in search of hope, faith, and protection. However, the new religious movements that have overrun the country are bringing chaos to people's souls. What is this: the coming of the antichrist? Tolerance of the Russian Orthodox Church? Or democracy in religion?

[Aleksiy II] Yes, people are thirsting for spirituality.... But—"do not believe every spirit but test the spirits as to whether they are from God, because there are many pseudo-prophets in the world." The spiritual reality is filled with not only good forces but also evil ones. This is what many Russians forget when they turn too gullibly to religious or pseudo-religious movements. The result is sad: Families disintegrate; the individual becomes spiritually or even physically crippled; and society suffers from hostility and fanaticism.

The recent Bishops Council proclaimed that people who subscribe to the teachings of pseudo-Christian, occult, and neo-pagan movements, and particularly those spreading these teachings, have abandoned the Church. But all this should not be perceived as a fundamental intolerance by our Church toward people of other faiths and beliefs.

[Zhelnorova] So it turns out that there is intolerance, up to the point of persecution for beliefs, in the Church as well?

[Aleksiy II] No, the Church does not call for persecution for beliefs. All it did was acknowledge a fait accompli: Members of these movements are not Christians and cannot be members of the Orthodox Church because they subscribe to views incompatible with its teachings. But members of pseudo-religious movements themselves say that the Orthodox faith, and Church teachings, run counter to their philosophy, that is it only one of the steps toward the higher truth, which they, the "chosen," possess. And this is their principal disagreement with us, because the Orthodox Church believes that it contains the completeness of Truth needed for a person to reach spiritual perfection. That God is present in it and acts through it. It is absolutely incorrect to "include" the Orthodox faith in some new religious-philosophic system based on views that are alien to Christianity (for instance, on the idea of reincarnation, or teaching that God is an impersonal "world intelligence"), and those who say that there is no contradiction between the Orthodox faith and such philosophical systems are either deluded or are lying.

"Try everything and stay with the good," writes Apostle Paul. There is nothing wrong in the fact that freedom to preach any ideas has come to our country and people can freely choose the beliefs that suit them. However, society should watch closely to prevent the commission of criminal acts under the guise of religious preaching, suppression of individual freedom, destruction of peace and public morality, and pursuit of questionable political, mercantile, and other mercenary interests.

[Zhelnorova] Restoration of the Christ the Savior cathedral is currently in progress. This is a good deed, but is it timely? Would it not be better to restore faith in people's souls instead of in stone? Perhaps everything should have been left as is as a reminder to people, something to twinge their conscience, a lesson for the future?

[Aleksiy II] Life itself shows us that with God's help the restoration of this sacred place is proceeding very successfully and without any harm to the well-being of the people.

The Christ the Savior cathedral, which was one of the symbols of Russia, is today becoming a symbol of its revival. The emptiness on the site of this cathedral was not only a wound on the body of Moscow—it was a wound on the people's soul. Restoration of this sacred place is perceived by many as an act of repentance on the part of the authorities, and people's repentance, as a sign of a restoration of our historic memory and a return to the faith of our forefathers, and as a tribute of gratitude to the fallen warriors, whose names the cathedral carried.

I am absolutely convinced that when by people's efforts the Christ the Savior cathedral is resurrected, our people will be reborn too. If we gather enough spiritual strength to recreate this sacred place, if we pray and work diligently, God will not abandon us and will help us become better.

[Zhelnorova] There is some discussion regarding the Lenin Mausoleum—whether to bury Ilich's body or leave it there as an object lesson to future generations. What is your opinion?

[Aleksiy II] Russia, the Orthodox Church, has never had a tradition of mummifying the dead. And in my opinion, the current state of Vladimir Ulyanov-Lenin's body is not evidence of respect for him but rather a sad reminder of the old authorities' use of the dead person's body for propaganda purposes, against the will of the deceased himself. The atheistic rulers of those times were not above using the likeness of worship of holy relics for the purpose of creating a new cult. However, the saints' imperishable relics preserved by God's grace have nothing to do with artificial mummification.

I think that both Lenin's body and the remains of other persons buried in Red Square should be moved to a cemetery. But it needs to be done in such a way as to avoid insulting anybody's feelings and avoid inflaming political passions around this difficult and delicate issue.

[Zhelnorova] What specifically has the Church done to localize the war in Chechnya? Have there been instances when you, Your Eminence, categorically protested against particular actions of the authorities? And what was the response?

[Aleksiy II] I have appealed on numerous occasions to stop the bloodshed in Chechnya; on one such occasion I did so together with the Chechen Muslim leader, Mufti Muhammad-Husayn Alsabekov. Unfortunately, neither I nor the mufti were heeded by the parties to the conflict.... As a result, the bloodshed approached the last, most devastating line: Terrorists seized a peaceful town, killed innocent people, having succumbed to the temptation of revenge for their own, for the most part equally innocent, relatives and compatriots, who died in large numbers in the course of the military action.

And now I, through your newspaper, say again to the parties to the conflict: Stop! Do not let the demon of revenge and hatred to enslave your souls! I especially urge all Orthodox Christians who have found themselves in the region of the conflict, and who have suffered from it: Have courage to forgive the offenders, no matter how difficult it is. I also ask our Muslim brothers to stop any violence, and if there are madmen among them, willing to do anything for the sake of revenge and ambition, to not let these men plunge their peoples into the abyss of ethnic war.

I am very well aware of how difficult it is to stop fratricide when it expands to take in more and more new people. But I pray and believe that God will not abandon us. For, in the words of Moscow saint Filaret, "if God permits war, it is even more certain that He makes peace."

I assure you that the Church is ready to assist in the peace process by all means at its disposal. It also stands ready to ease the suffering of conflict victims: This is already being done through the efforts of parish clergy, and the work of humanitarian missions created with the support of international Christian organizations, which intend to provide aid in an amount of $2 million (by now $400,000 worth of aid has already been received).

God willing, there will be peace in the Caucasus land, for the people who live there. And for peace to be secure, it has to be fair, and therefore disagreements must be resolved not through violence but through dialogue based on an honest attitude toward each other.

[Zhelnorova] The number of poor people is growing in Russia. Could the Church, the clergy, propose solutions for raising the people's living standard?

[Aleksiy II] Of course, the Church does not have enough funds to improve the situation of Russian citizens in any perceptible way. We can only help a very limited number of the indigent who turn to our parishes for help: The priest would give a little money to some, help some with foodstuffs, send helpers to the sick and disabled, and in some instances perhaps set up a small cooperative where people could earn their daily bread.

The Church proposes that each person, on whom the well-being of the people depends, fulfill his duties honestly, working not only for his own prosperity but for the good of everyone around him. If the voice of the Church in this respect is heard by the rulers, entrepreneurs, peasants, workers, law enforcers, and scientists, God's grace will be with us, and we will gradually climb out of the current crisis. So far, however, among these categories of people there are not many who truly have done everything to keep the people around them from suffering from poverty and inequality.

[Zhelnorova] Many draft-age young men now fear military service like fire, like death. One can understand them, but one can also understand the military, which needs fresh reinforcements. What positive role could the Church play in this?

[Aleksiy II] The Orthodox Church has always treated voluntary military service as a highly moral deed, the meaning of which is to protect the life, health, freedom, and property of one's neighbor. However, our Church does not condone aggressive, predatory wars.

Yes, military service entails a risk to one's life. But it is precisely in this that its high calling and moral greatness lies; this is precisely the reason God called self-sacrifice the highest manifestation of love: "There is no love greater than that in which one sacrifices his life for his friends." The Church prays for the army, blesses it, and tries to be as close as possible to it, sending priests to military garrisons and other military institutions to give spiritual talks and perform sacred rites and religious services.

As to those who cannot serve in the military because of their beliefs, as the saying goes, God is their judge. I do not think that the state should force them to take up arms, especially considering that the current constitution respects their views and grants them the right to alternative service. These people should be given the opportunity to serve their country in some or other form. So far, however, they do not have such a choice.

[Zhelnorova] In your opinion, what are the greatest mistakes our authorities are making?

[Aleksiy II] Any earthly authority is imperfect. Which means there is no authority that would not merit criticism. However, I do not quite agree with those who criticize disparagingly the current Russian and local authorities, presenting them as just about the worst in the world and in Russian history. We live in a unique time of fast changes, and it is difficult to imagine that any politician could make these changes less painful for the people.

What is bad is that in the course of these changes, much of what we could and should have preserved has been destroyed: interethnic, civic, and interconfessional peace, collaboration between a score of countries and peoples, our cultural and scientific potential, the education and heath care system, many achievements in the social sphere, the morality of the new generation, a peaceful life for most elderly people.... And this is my main gripe against the current authorities. Although, I repeat, they are not the only ones to blame for this. The authorities are either powerless or inactive in combating horrendous crime and corruption, which has changed the life of practically every Russian for the worse. The legislative and executive authorities and society, in my opinion, pay little attention to the dismal situation of elderly, disabled, and sick people, orphaned children, and victims of various natural disasters and armed conflicts. Not enough is being done, I think, to protect the rights of our compatriots abroad, including the right to life and the right to freedom of conscience. The authorities take almost no care of the state of public morality, which is being subjected to a serious assault by various propagandizers of violence, war, and hostility. On the other hand, the laziness and self-interest of many people or their apathy may prevent any system of authority from realizing even the best intentions and highest competence.

[Zhelnorova] Would you like to see the Church become a state "unit"?

[Aleksiy II] Such a position has never brought the Church any benefit. And neither will it do so in the future, even if the authority is extremely favorable to Christianity. It is not a good idea to try to strangle the Church with either a noose or an embrace—history has demonstrated many times that both are futile.

"....Render unto God what is God's, and unto Caesar what is Caesar's"—the Church always remembers these words of Our Lord Jesus Christ and always tries to follow them. There is a special, main sphere in the life of the Church, in which earthly rulers have no power—it is the sphere of the relationship between man, the Church, and God. Here we give God what is God's. God willing, the Church and the secular authorities in Russia will serve the people together, without dominating one another or restricting one another.

Kobzon Defenders Emerge

954F3104B Moscow PRAVDA in Russian 12 Aug 95 p 1

[PRAVDA Exclusive Informburo report: "Kobzon Is Not a Mafioso"]

[FBIS Translated Text] National cultural figures insistently sought in an open letter yesterday to President of Russia Boris Yeltsin "an end to the malicious slander campaign" against the well- known singer Iosif Kobzon.

In the opinion of the authors of the appeal, "certain news media are on the basis of rumor and invention groundlessly blackening the name of one of the best representatives of the Russian artistic intelligentsia. It has even reached the point of his having been tagged a mafioso."

The appeal was signed by, inter alia, Boris Pokrovskiy, Mikhail Ulyanov, Muslim Magomayev, Tamara Sinyavskaya, Zurab Sotkilava, Igor Moiseyev, Vasiliy Lanovoy, Stanislav Govorukhin, Nikolay Ozerov, Alla Pugacheva, Boris Messerer, Natalya Durova, Alla Larionova, and Vladimir Zeldin.

Opposition Groups Unite for Duma Elections

954F3104A Moscow PRAVDA in Russian 12 Aug 95 p 1

[PRAVDA Exclusive Informburo report: "Irreconcilables Unite"]

[FBIS Translated Text] Parties and movements of the irreconcilable opposition have agreed to act as a united front at the elections to the State Duma on 17 December. The election bloc includes the Russian Communist Party, the Workers Communist Party, the Working Russia movement, the United Workers Front, the Popular Resistance Union headed by Sazhi Umalatova, and other, smaller organizations.

Regional Affairs

Novosibirsk Oblast's Crop Yield Assessed

954F3140A Novosibirsk SOVETSKAYA SIBIR in Russian 15 Aug 95 p 1-3

[Article by G. Sassa: "Harvesting Campaign: Difficulties and Possibilities"]

[FBIS Translated Text] Harvesting campaign. Reaping. Gathering in. These words can be heard now, they are ringing from rostrums and in offices, and they are being reproduced on paper in a huge number of copies. As if suddenly a confusing period passed and people remembered these concepts. And here, in our native oblast, harvesting season fervor is in full swing. At a meeting of the collegium of the administration of the oblast the main question concerned the progress in stockpiling fodder for the community's livestock and preparation for gathering in the crops. A conference of the heads of administration of cities and rayons was held at which this problem was discussed first and foremost. Alarm over the fate of the crops could be heard in the speeches of I. Indinok, the chief of the oblast administration, his deputy, the director of the department of agriculture and food supplies, A. Klyakin, and managers of departments that take part in the production of food products.

It was clear that no one was forgetting about the forthcoming harvest and that managers of all ranks and peasants worried day and night. But one gets the impression that they were waiting for something. Perhaps they were hoping that the government, taking into account the unfavorable crop yield situation in the country, would suddenly decide to help the Siberians and undertake some kind of tangible and effective measures of assistance. The decree of the government "Concerning Urgent Measures" made things clear: The grain producers should not rely on anyone and anything, and they should count only on themselves and on their own forces. This is indicated by the thick files of correspondence from the central departments and the almost daily telephone conversations with Moscow.

What Kind Are You, Comrade Harvest?

It is here that there is an immediate snag: Is the harvest a comrade or a master? If one judges by the cost of grain production—a comrade, but if you look at the price list in a store—a master.

According to the estimates of competent people, a crop yield is expected now of from 16 to 18 quintals on the average in the oblast. This is a good crop. If we remember under what conditions grains are cultivated, it will become clear that, perhaps, it was impossible to get more.

In recent years thousands of hectares of arable land were sown the "lazy way"; that is, without basic cultivation, which predisposes the land to a reign of weeds—the "green fire."

Previously—this was not before 1913, but five years ago—it was categorically forbidden to sow seeds that were lower than second class. Now only half of the seeds are of standard seed quality.

The heavenly office, of course, did its "bit"—many farms in the northwest of the oblast have not seen rain since spring. And, therefore, the Vengerovskiy, Tatarskiy, Chanovskiy, and Ust-Tarkskiy rayons will receive 8-10 quintals of grain from a hectare. But the farmers of Maslyaninskiy, Ordynskiy, Kochkovskiy, and a number of other rayons are supposed to get 20-25 quintals.

The prospects for the harvest are such that our oblast has the possibility of not only supplying itself with grain, but also of delivering a substantial part of the grain to the federal fund.

To acquire a 100-pood crop, given the continuous shortage of the most necessary material-technical resources, is a big achievement of the rural workers. It can be said without exaggeration that primarily real experts are working in our fields. They did everything that was possible, and perhaps impossible, in order that the new round loaf was substantial. This 100-pood crop is nursed by agronomists and machine operators. It is necessary to tell them thank you very much.

It is no less difficult a task not to lose the cultivated grain, to gather it down to the last grain, and to store it thriftily.

Once Again—Stepping on the Same Rakes

We are late every year in preparing for the harvest season, and for the start of reaping. And now also a majority of the farms and rayons have turned out not to be ready to conduct a very crucial agricultural campaign.

An objective evaluation of the condition of the harvesting complex was given at conferences.

The number of grain-harvesting combines is decreasing from year to year. Four to five years ago there were 15,500 of them in the oblast. Now, even counting those that will be leased, they number 9,000. That is how many are listed. Only two-thirds of the inventory is repaired. Consequently, it is necessary to restore 3,000 combines.

The state has refused to extend credits for agricultural production. Commodity credit still remains in the promise stage. The farms did not receive anything in June and July, when preparations should have been actively under way for the harvest. And even now they do not have the resources to acquire spare parts. The question concerning the extension of credits for material-technical resources is still being settled in the government.

Perhaps there was never such a catastrophic situation with the supply of POL materials. The POL reserve constitutes only 15 percent of what is needed. Some farms have only enough gasoline and diesel oil for five-six days.

The harvest of winter rye has already been going on for several days. Oats are ready on many farms and have to be threshed. The combines and reapers already should also be working in the wheat fields. According to the findings of scientists of the Siberian department of the Agricultural Academy, the wheat ripened at the end of July on 15,000 hectares. By 10 August this crop was ready for harvesting on 120,000 hectares, primarily in the rayons of Kulunda. By 20 August there will be wheat like this on 650,000 hectares; that is, more than half of all of the areas, and the rest will also ripen by the end of the month.

The motors of the grain harvesting machines should be roaring now on the vast territory, especially in the Kulunda steppe. But we are compelled to conduct talks about preparation for the harvest.

Crop losses are inevitable. The specialists claim that delay of the harvest for 15 days will result in the loss of four to five quintals of grain per hectare. And within another five days losses will double.

There will also be other losses. There was hail over part of the fields of the Iskitimskiy, Cherepanovskiy, Baganskiy, and other rayons. A lodging of grain is being observed on some tracts. Plant diseases are becoming active.

There is only one way to reduce harvest losses—to gather in the grain as fast as possible.

The Advice of Specialists

How is this to be done? After all, in former years, when there were twice as many combines and trains of "steppe ships" were moving from the west and south, we threshed the grain until snowfall, and we even left patches under snow. But it was noted a long time ago: In difficult years the people transformed themselves, they displayed uncommon steadfastness, and they also found the physical and spiritual strength that made it possible to endure. We recall the years of the war and natural disasters. We remember the drought when silage and straw for cattle in the winter had to be shipped in over hundreds of kilometers. It was transported, and the trips continued without a break, but the cattle were saved. Evidently, the present will fall in the same category with the most difficult periods in the life of our oblast.

One more conference was held last week. Well, the participants called their assembly a council. Chief agronomists and chief engineers of the rayon agricultural administrations, well-known scientists, leading specialists of the department, managers of institutions, organizations, and departments on whom the fate of the harvest and the level of supplies of the population depended in some measure, assembled in one of the subdivisions of the Siberian department of the Academy of Agricultural Sciences, in the SibIME [Siberian Scientific Research Institute for the Mechanization and Electrification of Agriculture]. The most respected specialists in the oblast, whose discussion was guided by F. Chuyev,, first deputy of the department, immediately came to an agreement: not to engage in idle talk, not to stigmatize high policy, and not to mention the insane prices for equipment, fuel, and electric power, because neither they, nor the grain-growers can now influence the new procedures that have taken root. The difficulties and the complications are known to everyone: to the agronomist and to the threshing floor worker. And there should be a discussion not about complications, but about the possibilities. The meeting participants, realizing that no one will help them, that trains with equipment and operators will not come to Siberian rail stops, and that it is necessary to rely only on one's own hands and on one's own run-down machine pool, decided to hold talks only on ways to use available capabilities as much as possible.

Indeed, 9,000 combines is very little. The workload for each machine is 230 hectares, almost twice as much as in previous years. But what kind of combines? Half of them are decrepit oldtimers, and 30 percent are not even able to thresh grain, they can only mow for heaping up. But there are no other machines. This means that it is necessary to use the pool that is available intelligently. Therefore, the basic conclusion of the specialists is this: The combine must be the main object of attention in the harvest. It is necessary to create all of the conditions for its maximum use. The machines that are capable of threshing should be used only for this operation. In addition, the agronomists are obliged to check the accuracy of adjustments.

"After all, we have so many agronomists, that there are 18 combines for each one!" exclaimed M. Yermolenko, a section chief of the plant cultivation department. "The specialists have the capability of carefully checking each combine."

But how many hours in a day is a combine in an operational mode? Starting in the morning, it is "checked technically," and it is put in the field at 1100 hours. Afterwards—dinner. Toward evening the mass of grain becomes damp, and breakage starts. In the morning it is again necessary to "conduct a technical check."

"We lose a lot of time while unloading the grain," F. Chuyev observed. "Why do we not unload the hoppers while on the move?"

We should use old combines, reapers of all types, and hay making equipment for the mowing. It is possible to use rolling pickup bailers. And the grain from the mass, pressed in the rollers, can be threshed at night and in bad weather, and even in the winter.

The specialists talked about a lot of things. They recalled the experience of the experts and truisms. They looked at new machines—reapers and driers—on the grounds of the SibIME, they walked through elite farms that give up to 40-50 quintals of grain per hectare, and they listened to G. Chepurin and A. Vlasenko, the managers of these scientific institutions. This was a very good intellectual and emotional exercise on the eve of a massive harvest. They would not lose the impressions in the everyday hubbub, and they would not take the easiest path—the path of simplified technology.

Where Are You, Expert Magicians?

The number of combines in recent years, as is known, decreased almost by half. Many combine operators were left without machines. This means that the managers and specialists have an opportunity to choose.

It is understandable that when we talk about a special relationship to a combine that we have its boss in mind most of all. It was stressed in conferences that the machines that are capable of threshing grain should be entrusted to the best of the best. That the kind of wage should be established for them for conscientious and highly productive work that would make them interested in making maximum use of the potential of the units. There was a discussion about the need to create the most favorable conditions for the work of the harvest experts. To leave the combine operator with only one concern—to operate the machine, with a high quality of grain threshing.

And this means—to conduct the technical servicing of the machines at nighttime, when the combine operator is resting. It is necessary to establish special, well-equipped teams for this. Refueling of the combines must also be done ahead of time.

That is, the activity of all of the auxiliary services must be organized in such a way that the combine operators do not lose a minute of work time. Only under such conditions will we be able to gather the crops without big losses.

Naturally, the measures for material concern on farms affect not only the combine operators, but all of the people who take part in harvesting grain and laying in fodder: motor vehicle operators, workers on threshing floors, and in technical shops, and those who will be engaged in strewing and working in seeds. It would be good to investigate the possibility of the timely issuance of wages and bonuses; moreover, more than once a month, but according to the results of each 10 days. Including grain and fodder that was earned for personal farmsteads.

I. Indinok, the chief of administration of the oblast, paid particular attention to the need to organize competitions. Honor boards and showings, flags on front-rank machines, a good word— everything should work for the harvest.

A lot of what was important and useful to themselves was derived from the conversations of the participants in these meetings. Everything cannot be recounted in newspaper correspondence. But it is necessary to talk about weather forecasts. Weather forecasters predict that August and September, as always happens in Siberia, will be unfavorable for the harvest. But to temporize means to lose crops. He who is counting on a fine sunny October will be threshing empty ears.

Novosibirsk's Housing Market Profiled

954F3114A Novosibirsk SOVETSKAYA SIBIR in Russian 10 Aug 95 p 2

[Article by Svetlana Kazakova, under the "Real Estate Market" heading: "An Apartment on Credit: Cottage or Bird House?"]

[FBIS Translated Text] According to predictions of the Ministry of Economics of the Russian Federation in 1995, some 50 million square meters of dwelling space will be constructed in the country. Of this amount 450,000 will be commissioned in Novosibirsk. But it is difficult to predict how many families will be able to settle in this space—the "meters" vary a great deal, and also the new settlers have various levels of well-being. Last year, for example, in our city one-third of the housing that was built was taken up by so-called "elite" apartments.

The free list has been kept for certain social groups of the population, but for the majority of people in need of housing, the only way out has been to acquire an apartment with their own money. The government's housing policy presupposes that there will be further development of nonbudget forms of investment in housing and a system of subsidies, housing certificates, and mortgage credit. Which is what we are seeing here in Novosibirsk today.

It is easy for rich people to purchase an apartment, and for the majority of them it is not actually a necessity—an apartment is regarded as a way of investing capital. Less rich people can buy an apartment on credit, settling accounts in a year or half year. To buyers who have any free money at all, it is suggested that they "accumulate" square meters in a housing accumulation deposit in a bank, purchase housing bonds or certificates in an investment construction company, become involved in shared participation, and after a certain amount of time "build" themselves an apartment.

Gladly believing in the hope of rapidly buying an apartment "by the meter"—this method was indeed accessible to the broadest masses of the population—people placed their modest savings "under cover" in financial and construction firms. But it turned out that the more aggressive and persistent the advertising appeal, the more questionable the actual advantage for the client. Thus, the future new settlers were deceived by the corporations called Styling, Finance and Real Estate, and others which have already disappeared. Clients of a fairly respectable office were not safe either—not so long ago, the newspaper SOVETSKAYA SIBIR wrote about the ordeals of shareholders who believed in the reliability of the joint-stock company Novosibirskstroy Regional Planning-Construction Company, which delayed for a year and a half the release of apartments paid for by private investors and has not yet fulfilled its obligations to them. With all its availability, this method of acquiring an apartment is the least reliable.

Speaking recently at a roundtable discussion on problems of housing construction the director of the municipal enterprise Novosibirskstroyzakazchik, Nikolay Gavrilovich Filatov, said quite frankly:

"Today nobody can give guarantees—neither private firms nor the state. Until we create a system of mortgage credit, nobody will be able to give the investor a 100-percent guarantee that he will receive an apartment. A person must first receive the apartment and then pay for it over the next 30 years, as is done throughout the civilized world. But that is possible with a credit rate of 10 percent, but not of 240 percent!

People in our country began to speak enthusiastically about mortgages about two years ago; a bank was even created for them— Siberian Mortgage, which not so long ago left empty-handed gullible investors because, as the ill-fated bankers like to explain it, of "nonrepayment of credit." Hence, there still is no mortgage system, but there is something that is beginning to establish the practice of the mortgage in our unpredictable life. There is even a firm called the Gorod Mortgage House, which sells apartments on credit.

In Great Britain, Germany, the United States, and other developed countries, apartments are granted to the buyers with installment payments spread out over 15 or 20 or 30 years with an interest rate of 8-9 percent on credit. Moreover, the state offers the person who is buying the apartment various benefits and loans. Such loans are also granted by private companies that are interested in the workers—for example the renowned ZM corporation has a system of additional incentives for workers that includes credit for purchasing real estate or big ticket items. Thus, every working citizen with very average means is able to acquire his own home.

Here in Novosibirsk Oblast, as representatives of the department of social policy stated at a news conference, more than half the population has a budget below the subsistence minimum, and it is now R289,000 [rubles], that is, the majority of our countrymen have the means only for the roof of a birdhouse.

As is shown by the practice of firms involved in the sale of housing on installments, their main client is the businessman of average means with so much money in circulation that he can withdraw up to R10-15 million in credit each month to pay off credit without harming his business. The sale of apartments on credit is just as advantageous as it is a technologically complicated, troublesome, and risky business. This is why there are so few private firms working in it—the Sale and Credit Realty real estate agencies and the Sibprom multibranch company. Not one quasi-state structure (Municipal Bank, Krasnyy Prospekt, Moy dom, and other companies) offers these services. The main distinction of this system is that the buyer puts up earnest money (40-50 percent of the cost of the apartment), immediately moves into the finished apartment, and within a year or six months pays off the remaining sum.

Priority in the development of this service in the real estate market belongs to the Sibprom company. Having begun its activity in 1992 as an investment-construction company, Sibprom was the first in Novosibirsk to develop and provide for issuance and repayment of the Funded Housing Loan, and exactly a year ago it was the first to sell apartments on credit. The schema for granting the credit has a reliable financial-legal mechanism, and stable activity for its use has made it possible for Sibprom to gradually reduce the interest on the credit. Today it is 140 percent annually, and the credit is granted for a half year. This is the safest time period, since, as the chief of the firm's credit department, Konstantin Pankratov, says, it enables the firm to minimize the risk in the event that the client is unreliable or if there are unfavorable macroeconomic changes.

Credit Realty and Sale have somewhat higher interest—from 200 to 210 percent, but the credit is for a year. But actually, as was explained in a branch of the Credit Realty firm, the clients pay much less interest—somewhere around 113 percent. Taking into account inflation and the growing cost of apartments (during the past year, prices of apartments increased by a factor of three to four), for the buyer who has money to purchase an apartment on credit could cost less than if he were to "invest" the money in an apartment right away. True, in any case it is necessary to weigh one's capabilities very carefully, because significant amounts must be paid each month. For example, if you take out R30 million on credit, according to the Credit Realty schema, during the first month you will have to pay 7.75 million, the second—7.312 million, the third—6.875 million, and so on in decreasing amounts.

The first have their own security—they take the apartment as security and sign it over to the client only after the remainder of the loan is paid off. The guarantees for the buyers are the solvency of the firm, the completeness of information on their rights, and the mechanism for resolving disputed issues that is included in the agreement. As a rule, buyers come in through word of mouth, believing in the firm's reliability because of what their colleagues, friends, acquaintances, and loved ones have to say. These services do not need aggressive advertising campaigns—their attractiveness is obvious to a certain segment of the population, and so far they have not allowed themselves to engage in philanthropy in the form of benefits and discounts for less well-off clients.

There is no doubt that we are attending the birth of the mortgage system, and it is probably not a bad thing that so far it has a limited sphere of application. With a certain amount of support from the state (long-term loans to those who wish to acquire apartments, benefits, etc.), a reduction of bank interest, and other state measures for implementing the housing program, this process should become more dynamic in nature.

Value of Novosibirsk Ob Reservoir Assessed

954F3117A Novosibirsk SOVETSKAYA SIBIR in Russian 10 Aug 95 p 2

[Article by Vladimir Petrovich Bityukov, docent of the Novosibirsk branch of the St. Petersburg Power Institute for Raising the Qualifications of Specialists of the Russian Federation Ministry of Fuel and Energy: "The Pain of the Ob Sea"]

[FBIS Translated Text] [begin boxed text] "How Is the Ob Sea?"—it is under such a heading that SOVETSKAYA SIBIR has already provided information concerning the recently held off-site meeting of the presidium of the Novosibirsk Oblast Council of the Union of Science and Engineering Organizations, which investigated the ecology of the Novosibirsk reservoir and the complicated scientific-technical and socioeconomic problems associated with it.

There is no doubt about the urgency of the subject, and convincing evidence of this, in particular, is the flooding of the numerous gardens and dacha plots situated in the river protective zone of the flood plain of the tail bay of the Novosibirsk GES [hydroelectric powerstation] that occurred when the reservoir was filled with the excessive runoff of spring high waters this year and last year.

Taking this situation into account, and the recently precisely delineated polarity of opinions concerning the creation and operation of the Novosibirsk reservoir, the newspaper is continuing the discussion that was begun.

Today, our guest is Vladimir Petrovich Bityukov, docent of the Novosibirsk branch of the St. Petersburg Power Institute for Raising the Qualifications of Specialists of the RF Mintopenergo [Ministry of Fuel and Energy of the Russian Federation], who is a well-known

Novosibirsk hydroecologist and a direct participant in the formation of the Novosibirsk hydroeconomic complex, whose basis is the Novosibirsk reservoir, and chairman of the commission of the oblast council of the Union of Scientific and Engineering Organizations. [end boxed text]

Almost 40 years have already passed since the reservoir, or, as it is frequently called, the Ob sea, was created in the Novosibirsk environs. The Ob has taken a lot of water into the Arctic Ocean since then. A lot has changed in our life. The opinions and assessments of people about various events that occurred at different times in the life of the city are changing.

Indicative in this respect is the example of the manmade reservoir on the Ob River. In recent years the expediency of the construction of the large reservoir on the Ob has come under more and more frequent doubt. People are asking the following question more and more often: Are the water and, in general, the natural resources of our Ob sea being used properly?

As for doubts regarding the expediency of constructing a water engineering system with a hydroelectric power station and a reservoir on the Ob, this should become the subject for a separate and larger discussion and, perhaps, even research.

But I will express my opinion concerning the system of management of the water resources of the Novosibirsk hydroeconomic complex.

I believe that the existing system does not meet the current conditions of work of Novosibirsk water users and water consumers and the sharply changing hydrological characteristics of the Ob below the dam as a result of man's intensive economic activity, which is expressed in a large-scale withdrawal of sand from the river bed and the flood plain in the 1980's and the 1990's, which led to a drop in the river level. The aforementioned fact led to exceptional difficulties in the work of the city's water intakes in low-water years.

The eternal question of "what is to be done?" with respect to the resolution of the problem of the Ob sea has been transformed now into a question of "how is it to be done?" How to organize the work and operation of the Novosibirsk reservoir, this unique natural and technical object, in order to improve its ecological condition, and to reduce the negative effect of the artificial reservoir on the environment as much as possible.

In October 1959, just four months after the Ob sea reached the highest planned mark, it announced its existence in full voice. I remember well the strong storms that occurred in our krays. Wind velocity reached 30-35 meters per second. Waves with a height of 3.5 meters and more unleashed the full might of the water elements on the newly created riverbanks.

The issue arose already back then—the reservoir needs a boss, a hydroeconomic organ whose jurisdiction would cover everything associated with protection of the banks from wind and wave destruction, the organization of a water protection zone, control over the hydrochemical and hydrobiological condition of its waters, reservoir pollution, distribution of its water resources among members of the hydroeconomic complex (especially in low-water autumn and winter periods), the development and implementation of measures for passing the spring high waters through the Novosibirsk GES facilities, and the resolution of complex technical problems in the lower tail bay of the water engineering system, which have a great influence on the water level regime and operation of the reservoir.

However, little more than 20 years after the creation of the reservoir, a decree of the Government of the RSFSR [Russian Soviet Federated Socialist Republic] organized the Novosibirsk Reservoir Administration.

It must be said that during this long period the reservoir reminded its creators and operators several more times through various kinds of spontaneous phenomena of the need to pay more careful and respectful attention to it. In October 1969, as a result of stormy winds and an unfavorable combination of hydrological conditions, serious wash-outs occurred on the crest of the right bank of the land dam (an autumn flood developed, the reservoir was overfilled, and free-running outflows were produced through the dam spillway). Practically all Sibakademstroy dump trucks had to be mobilized to cope with the emergency situation.

The June 1976 storm caused significant damage to the dikes of the outer harbor that was situated next to the navigation lock.

It is also necessary to emphasize that the establishment of the Novosibirsk Reservoir Administration was the result of many years of efforts by the scientific-technical community of Novosibirsk and, in particular, the implementation of the recommendations of the first off-site presidium of the oblast council of the NTO [scientific-technical society] that was conducted in 1980.

Unfortunately, the Novosibirsk Reservoir Operations Administration, which was engaged in the technical equipping of the banks their protection, the organization of water protection zones, and control over pollution of the reservoir, nevertheless remains merely a nominal boss of the reservoir, inasmuch as it is removed from making decisions on the most important and fundamental questions, which are, for example, to develop, Novosibirsk hydroecologist and a direct participant in the formation of the Novosibirsk hydroeconomic complex, whose basis is the Novosibirsk reservoir, and chairman of the commission of the oblast council of the Union of Scientific and Engineering Organizations. [end boxed text]

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Now the Novosibirsk reservoir is of priceless value, it is the pearl of the Siberian kray, and it is in our hands. It is up to us whether we preserve it for our descendants and add to its incomparable beauty. It all depends on us.

Economic Issues

*Shmelev on Optimum Political, Socio-Economic Structure

954E1276B Moscow DELOVOY MIR in Russian 12 Aug 95 p 2

[Article by Nikolay Shmelev, RAN corresponding member: "Give Russia a Rallying Point!"]

[FBIS Translated Text] **Russia is now seeking a national goal which could unify the country and give generally significant meaning to all its present difficulties and suffering.**

Fear of Life

Neither the "national idea" nor the concept of the foreseeable future toward which Russia is moving can be formulated speculatively, from above, "from the cabinet," as some foisted ideal of life (resembling a failed bolshevik plan for reconstruction of the country). Both this idea and this concept should reflect the natural course of events and be based on what already exists or is only just ripening in the depths of Russian society. In other words, both the idea and the concept should be some sort of synthesis of our many-centuried past, with all its historic achievements and failures, our present hopes, indissolubly linked with this past, and some realistic hopes for the future. These hopes may also be the social ideal toward which, on the basis of the objective trends of our historical development, both present and future generations of Russians are to move.

The good in our past and present: the centuries-old idea of power and state construction; the scale of the country and the wealth of its resources; the colossal expanse, lying fallow, which Russia has not yet actually even started to open up in earnest; the staunch traditions of collectivism (true, mainly enforced); the country's high intellectual, educational and cultural potential; the habit, formed in the 20th century, of minimal, but truly perceptible social security; the inventiveness and enterprise of the active part of the population; the centuries-old tradition of spiritual search and striving toward the moral ideal and toward justice; long experience in mutual interweaving and a peaceful joint life for the various peoples and nationalities inhabiting the country.

Our evil legacy: the scale of blood and violence in Russian history (particularly after 1917); the inorganic nature of the ideals of freedom for deep strata of our society, the servile psychology of the masses, the steady lack of respect for the individual as such and his rights; the people's habit of relying mainly on the state and on the authorities, but not on themselves; the non-acceptance, which dates from ancient times, of democracy and self-government (with the exception of the Zemstvo, which did not succeed in taking root); the habit (particularly widespread in the last three generations) of doing everything just any old way, "in a slipshod manner," and at the same time, the burning envy of any success of one's neighbor, which has already become truly a national trait; the tradition of mass drunkenness and stealing; along with that, the steadfast messianic claims of the country, and its succession of leaders, to some special spiritual and political leading role in the world and world history.

The heaviest legacy of our historical past, the one that is most difficult to eliminate is, in counterbalance to the protestant ethic, the Byzantine-legal tradition of the cathedral (church) ethic, rather than the personal responsibility of a person for his fate before God and people. It was precisely the protestant ethic, however, that formed the basis of Western democracy and the economics of free enterprise. Of the legacy of the Soviet period of our history, the most harmful thing, and just as hard to cure, is the official and the ordinary, everyday downfall of every natural code of ethics in society. In its consequences, this moral degradation of the country may prove to be an obstacle to its further progress which is even harder to overcome than the tradition of dependence and the levelling social psychology of the masses.

Without overlooking our distant and recent past, one might obviously say that present-day Russia has quite a good head, but quite bad hands, a changeable heart (now tearful, now cruel) and an evil, irascible nature, to which, however, even a natural inclination to tranquility is not alien.

Characteristic of Russian reality to an even greater extent is the fact that a person in our country has always feared life, not rejoiced in it. He will always place all his hopes, not on today, but on some distant future or even in general on life after death. This age-old fear of his of today and the near future, however, also has, in its own way, a positive side, which facilitates the business of building a new Russia: the Russian person, because of his primogenitors, is accustomed to every possible difficulty, and the limits of his patience and his preparedness for deprivation and inconvenience are immeasurably higher than those of other civilized peoples.

With His Own Hands

It appears that under today's conditions and in the foreseeable future, the social-democratic, European idea in its most liberal form is closest of all to us, but painted in strictly Russian tones.

For the country as a whole, this could mean putting into the foreground the tasks of opening up our gigantic spaces and natural resources, passed to us from our ancestors, moving toward the East of the country, restoring the ruined countryside, building roads and modern communications and improving the environment of the human habitat. These tasks would be enough for us as a nation for about 100-150 years, and possibly even more. At the same time, this would rouse Russia to just as long a time of sharply curtailing its half-formed global intentions and global responsibility (probably with the exception of the near abroad). Meanwhile, that is why America has achieved its own present-day position in the world, which it has essentially occupied for almost 150 years, just because of its internal affairs and its great reluctance to intervene in world affairs.

For Russian society, this might be the building of a multi-party political system, in which a strong supreme power would be combined with the gradual development of democracy at all levels. On the socio-economic plane, this would be a combination of the already achieved system of social guarantees, enriched in accordance with the demands of the times, and a strong state sector in such branches of the economy as scientific research and the defense industry and infrastructure, and at the same time — complete freedom for the corporative and individual private sector in industry, agriculture, trade, services, banking business, etc. It would also appear that to this day we underestimate the tremendous potentials of the cooperative movement in all the sectors operating on the consumer market (including agriculture), even though it is this movement that makes possible the optimal combination of the collectivist approach, traditional for us, and free private initiative.

Another thing very significant for Russian society is the fact that the social-democratic model, in its most liberal variant, does not in any way turn away the inevitable and beneficial social differentiation. It merely places it in a civilized framework, insuring against sharp social shocks.

The new "national idea" can be attractive to the individual, to each Russian, only if it is directly addressed to him personally, to his family, to his offspring. It would seem that the core of this idea should be eliminating our age-old national sickness — fear for oneself and one's children: fear for personal political safety, fear of a possible material catastrophe, fear of the criminal world and fear of helpless old age.

The "national idea" should contain, if not directly present, at least unequivocally implied, human values (by no means all of which have already been established in our society) such as the unshakeability of basic human rights and freedoms, security of all conditions of man's life, social justice, material and cultural well-being, spirituality, morality, a striving toward beauty, room for any creative, constructive initiative, personal responsibility as the main principle and moving force of life, along with social guarantees for all the weak and the old, and duty to God, people and oneself as the highest moral value. The Russian person should, finally, get used to the idea (and, it seems, he is already beginning to get used to it) that the complete building of his life and the life of his country from above is only part of the whole problem, and that he himself can and must build God's kingdom on earth or, at least, a decent, orderly life for himself, his circle and consequently, all society, and not have someone do it for him.

The unbelievable difficulty of the very search for the so-called national idea, in my opinion, however, lies above all in the fact that in order to be effective, it must be a maximally brief formula, preferably confined to a single sentence.

The Contours of the Concept

The concept of the future structure of Russia, in order to be of some public interest, should in no way be a document weighing several pounds. There is no doubt, however, that it should contain the following points:

The political structure of society. A strong supreme power, three branches of power which restrain and control each other, true federalism (possibly, on an expanded territorial principle) and regional, particularly local government as the basis of the political life of the country. A multi-party nature. A civil society and all forms of self-organization of public life. The unconditional priority of human rights and freedoms. A legal state, voting as the chief means of solving all basic political and social problems (democracy), and force only in relation to criminal activity and attempts to seize power by force.

The economy. State regulation (primarily indirect), combined with a maximally free market and market relations. A strong fiscal sector (in the order of 25-30 percent of the national assets). Support of natural forms of privatization and making state enterprises joint-stock companies. Ensurance of favorable and reliable conditions for all legal forms of private (individual and collective) initiative. Counting on the private sector as the main moving force in the country's economic revival and, in particular, in solving the employment problem. All possible development of a cooperative movement in the city and in the rural areas. Low tax rates as the basic method of stimulating economic activity and enterprise, and complete tax exemption for all investment activity.

Reducing the budget deficit to a safe level, primarily through a gradual cutback in subsidizing insolvent enterprises and sectors of the economy. Re-establishing the process of saving in the country through the proper guarantees and establishment of a favorable rate of interest on all types of deposits and loans, including budget loans. Re-establishing a stable ruble (perhaps, through issuing new 10-ruble currency) and forcing the dollar out of domestic circulation. State support for all forms of development of a market infrastructure: banks, insurance business, pension and other funds, commodity exchanges, a secondary stock market, mortgages and consumer credit.

A cautious movement, on an equivalent basis, toward economic re-integration on the entire former expanse of the Soviet Union. Encouragement of foreign direct and portfolio investments, utmost acceleration of export and a policy of cautious, selective protectionism with respect to import from the far abroad.

It would seem that the following tasks will of course remain priority and all-national for Russia's economic sphere for many decades to come: 1) getting rid of the part of the economic potential which has proved to be unnecessary and unviable under market conditions, and rebuilding the part which has a chance to be competitive; 2) re-establishing the ruined Russian rural areas (primarily through developing farming and attracting resettlers); 3) building a modern infrastructure, in the first place, highways and communications; 4) advancing to the east of the country, opening up new territories and stimulating resettlement processes; 5) gradual undermining and dismantling of monopolistic structures in industry through anti-monopoly legislation and control, developing individual and collective private enterprise and, probably the main thing — further opening the doors to importing the products of foreign producers.

The social sphere. Preserving past social achievements (i.e., the pension system, free education and health care), but with the addition of a developed system of paid social services for them. Creation of an efficient "social security network" to ease the consequences of unemployment, inevitably high for a while, gradual transfer of subsidies for unprofitable enterprises and sectors directly to the social sphere. Efficient efforts by the state for social protection of the weak, unfortunate and elderly.

Improving Society's Spiritual and Moral Health

The inevitability of a prolonged process, which requires the persistent efforts of the state and of all society, of gradually eliminating the results of the domination of the amoral bolshevik regime and the essentially criminal actions of the first wave of reformers. The need, at all costs, to stop the process of destruction of Russian science, education, culture and art, and to overcome the danger of Russia's being turned into a world intellectual backwater. The need for the return to our ordinary life (including with the aid of religion) of the ordinary spiritual and moral values, on which peace is based, and without which we can very quickly turn into a barbarian society, living by the laws of the criminal world.

The law-enforcement system. We can apparently no longer avoid some drastic, emergency measures in the struggle against the state corruption, street mayhem and organized crime, so swiftly gathering force, which is so unexpectedly overwhelming Russia. The whole question here is where to find a measure that is a balance between emergency and a guarantee of human rights. In the future, however, there will be no path for our country other than creation of a civilized law-enforcement, judicial and penitentiary system. Increasing the public prestige of the police and other security organs, civilized investigative procedures, holding in custody, assistance from the legal profession, re-establishing the role of the Justice of the Peace, a court of jurors, abolishing the death penalty and introducing life imprisonment instead — all this, if we succeed in overcoming the present crime crisis, will obviously also exist in our future.

Defense and the army. At the end of the civil war, the Russian Army was cut from 5 million to 500,000 persons. Obviously, in Russia's future as well, considering its present international situation, it should take the same path, consolidating its positions in the sphere of high-technology armament and making a gradual transition to the contract principle of recruiting.

Relationship with the former Soviet republics. Neither the former Russia nor the Soviet Union which replaced it were ever an artificial state formation. Considering the many centuries of organic ties between the peoples who settled the country, it would probably be realistic to expect, somewhere in the future, their new reunification, but on a different, most likely a confederative basis (at least the majority of them). This should take place by a natural procedure, however, without any coercion, as all of the newly arisen states become aware of a similar historical need and, particularly important, on a fully equivalent, mutually advantageous basis.

At the same time, the need for economic reunification is already becoming increasingly obvious. In the course of this reunification, practical experience will inevitably require: 1) a common national currency; 2) a common banking system; 3) a common customs system; 4) freedom to move commodities, capital and work forces within the limits of the entire integrated association; 5) joint support of the infrastructure; 6) some sort of common budget.

Foreign policy. Because of its size and its potential, Russia, unless it suffers some sort of catastrophe, will always be fated to be a great power. It would appear, however, that for us now (at least for the future of several generations), a certain "healthy limited isolationism" would be a very beneficial policy. This does not in any way mean that we should cut ourselves off from the whole world: it means that we need from the world what is advantageous for us, and that what is of no advantage to us should worry us to the extent, as they say, to the measure of our real interest and our possibilities.

The country's particular interest for many decades and generations ahead, I repeat, should be developing what fate has given us. And in any case — no messianic pretensions, anywhere even near the former Soviet boundaries. There is nothing for us to do there, and the continuous improvement of our nuclear-missile "umbrella" should protect us against any potential dangers for any conceivable future, even against such giants as the United States or China, or the politically united Western and Central Europe.

In our many centuries of history we, the Russians, have tried everything: the idea of power, territorial expansion, intense search for some sort of unfeasible spiritual ideal, and finally, the messianic attempts to grace the entire rest of the world with our ideology and our way of life. There is only one thing we have not tried — a constructive ideal, the idea of building as the goal of life and all of society, and of each individual person, persistent creative work ensuring the well-being of each and every person individually. God save us now from any "grand ideas."

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*Zadornov on Prospects for 1995 Budget Implementation

954F3155A Moscow SEGODNYA in Russian 11 Aug 95 p 5

[Interview with Mikhail Mikhaylovich Zadornov, YaBLoko Faction RF State Duma Deputy and chairman of the State Duma Committee on the Budget, Taxes, Banks and Finances, by SEGODNYA correspondent Svetlana Lolayeva: "Mikhail Zadornov: We Still Do Not Have Normal Budget Standards"; date and place not given]

[FBIS Translated Text] [Boxed material follows]

Mikhail Mikhaylovich Zadornov was born in 1963. He graduated from the Moscow National Economy Institute imeni Plekhanov and is a candidate of economic sciences. He was one of the developers of the "500 Days" economic program. In 1990-1991, he worked in the RSFSR Council of Ministers. Since 1993, he has been a deputy of the RF State Duma from the YaBLoko faction. Since 1994, he has been chairman of the State Duma Committee on the Budget, Taxes, Banks and Finances. [End of boxed material]

[Lolayeva] Mikhail Mikhaylovich, you came into politics from a scientific environment. How do you feel about being in the role of Budget Committee Chairman, considering the fact that you, probably more often than anyone else, have to deal with bureaucrats?

[Zadornov] Prior to coming to the State Duma, I had experience working in the executive authority. In 1990, we worked as an entire team in Ivan Silayev's Russian Government. In addition, I worked as an expert in the budget-planning commissions of the union and Russian governments.

It was complicated at first. And first of all because the Duma was operating under "nomadic" conditions, moving from place to place. In point of fact, normal work began as of October of last year. And, in my view, during the last two sessions, the budget committee did almost everything which it had planned. Perhaps, not always as good as desired. But the weakest spot, in my opinion, is still the implementation of the laws being passed by the parliament.

[Lolayeva] But, in your view, will the 1995 budget be fulfilled?

[Zadornov] With respect to revenues, especially tax revenues, there will undoubtedly be a surplus. But it will be minimal due to high inflation. According to our calculations, given the inflation rate which has arisen, the tax revenues should be 30-40 percent higher than the planned ones. On the other hand, there is still a significant lag with respect to revenues from export-import duties. It is unlikely that 9 trillion rubles [R] will be derived from privatization. Large problems exist in connection with the repayment of budget loans and the transfer of the Central Bank's profits. The budget deficit is being funded in amounts smaller than planned. But the biggest problem is the non-specified use of budget resources when, instead of funding the items stipulated by the budget, the money goes for unplanned expenditures.

Thus, in the first half of the year, in all, only around R650 million of the R2 trillion in previously granted budget loans were repaid and R4.5 trillion in new ones were handed out. I.e., at its own discretion, the government is giving subsidies to selected enterprises and regions. The components of economic activities are being placed into an unequal position: some are bearing all the burdens of the harsh economic policy, while others are receiving breaks. This is a direct violation of the budget law. The budget also makes no provisions for expenditures for the "restoration of the economy" of Chechnya.

[Lolayeva] As is well known, not only do the government and the Minfin [Ministry of Finance] exert influence on the budget process, but so does the president, who signs decrees which frequently require inserting adjustments into the budget indicators. It is enough to recall the just recent edict which grants enterprises specific breaks on the NDS [Value-Added Tax — VAT], as a result of which, according to the specialists' calculations, the budget will come up short by something on the order of R1.5 trillion.

[Zadornov] I can compare this edict with last year's, which stipulated a lowering of the tax burden on enterprises by 10-15 percent. And, even though specific instructions were given to the government in this edict, in the end, they were ignored. For the sake of fairness, I will note that, over the course of last year, there was a significant decline in the number of edicts which contradict the budget legislation and require additional spending.

[Lolayeva] Then who, in this instance, is actually influencing the course of the federal budget's fulfillment?

[Zadornov] Everyone and no one, simultaneously. Quite often, when a law is not being implemented, it is impossible to find the parties responsible. Unfortunately, the Federal Assembly has no legislative or constitutional right to monitor its implementation or to hold officials responsible for a violation of the budget law. The Duma is establishing only certain bounds, within which the government, at times, allows serious distortions. But it also frequently does this under direct pressure from the prime minister or the president, who give specific instructions — to grant so much to some plant or region. In general, however, neither the head of state nor the chairman of the government have the right to meddle in the budget process in this manner. But we still do not have normal budget standards. As a result, there are also no responsible parties. The least responsible party, as a rule, is the finance minister, although he should not be envied: on the one hand, he seemingly controls everything, but, on the other — he is the target of pressure on the part of the most diverse forces.

[Lolayeva] And what kind of relations do you personally and your committee have with the Ministry of Finance?

[Zadornov] I believe that the committee and I have good working relations with the Ministry of Finance. We try to come to an understanding.

[Lolayeva] I have repeatedly had occasion to hear from Ministry of Finance officials that it would be better if the deputies inserted as few amendments as possible into the budget draft prepared by the finance department, trusting in the specialists' calculations. How might you comment on this?

[Zadornov] This is the position of any bureaucrat who does not want anyone encroaching on his jurisdiction. But, according to the constitution, the parliament is charged with the function of budget approval and the determination of the basics of the economic policy. It is true that we have an abnormal situation, when only the budget determines the economic policy. I believe that the Duma should approve the basic items of the government's economic program. The prime minister should take upon himself clear-cut obligations for a year or for 3 years: with respect to the volume of production, the level of unemployment and inflation and the level of the population's incomes. If he cannot handle this program, then he must leave. Not as a result of any kind of extraordinary event, but rather, as a consequence of the failure to fulfill the obligations taken upon himself. In our country, however, neither at the federal level nor at the regional levels do the leaders have any clear-cut programs or specific obligations.

Currently, the federal budget is the only document which determines the economic policy and it is possible to evaluate the government's activities based on the results of its implementation. And, therefore, it is perfectly proper that the parliament, just like in other countries as well, be the very one to approve the budget. Beginning as of this year, the monetary and credit policy of the Central Bank and the government will be examined simultaneously with the budget. As for individual amendments, the government frequently inserts proposals which have not been based on serious calculations and are subjective in nature. It does happen that similar proposals also originate from the deputies. But the majority of the amendments in the Duma goes through such a strict multistage selection process that the share of inadequately though-out decisions adopted by the deputies is no greater than that of the government.

[Lolayeva] Representatives from all factions are working in your committee. Do the ideological and factional contradictions not interfere with coming to coordinated decisions?

[Zadornov] We agreed right off to work on a professional basis. And the committee's makeup, in any event, is its backbone — these are professionals who can talk on an equal basis with the leaders of any economic department. However, the positions of the committee's members are determined not only by political views, but also by professional, regional and sectorial interests. Factional interests by far do not always predominate. As a rule, they come to the forefront during the discussion of the most ideologically disputable bills. But, even in this instance, most often, we come to a compromise. It very rarely happens that two bills are submitted to a plenary meeting after the adoption of a decision in the committee. I would also like to note one significant fact: except for the law on extra-budgetary funds, all the drafts prepared by us, even if not on the first attempt, were eventually supported by the Duma and around 30 of them have already gone into effect.

[Lolayeva] I understand that it is difficult to give an assessment of the draft of next year's budget without knowing in detail its final version. But, if the interim versions are used as the staring point, what does not suit you most of all?

[Zadornov] It shows a continuation of that same policy in which, in my view, there are two basic flaws. First, substantial financial restrictions are introduced without any kinds of serious structural reforms in those spheres, with which the basic budget expenditures are associated — the agro-industrial complex, the coal industry, the social sphere, the army, and the health-care agencies. This leads to self-deception, when, for example, without reforming the army, we reduce spending for its maintenance to such an extent that it is not even adequate for feeding the soldiers properly. Possibly, these funds would be sufficient if the army were smaller by 200,000-300,000 soldiers, but significantly higher spending over the course of 2-3 years would be needed to discharge the service personnel. And perhaps it is necessary to resort to this so that, later, current maintenance expenditures would be reduced, but money would be available for re-equipment. This situation has arisen in many spheres: funds are inadequate for normal existence, but nothing changes and the problems get worse.

The government prefers to look for roundabout paths. For example, after allocating to agriculture significantly less money than what was needed, the government obliged the oil-refining enterprises to grant a commodity credit to the rural areas, having promised to count its value later as taxes. And all so that the budget's nominal indicators would be within the standards. However, as the experience of the last 3-4 years has shown, financial guidelines not supported by structural changes cannot be sustained.

Second, I do not believe in this government's political will to implement the economic reforms and to achieve financial stabilization. Significant to me is this fact: over the course of the year, there has been talk about the need to raise the export duty on gas from 2 to 5 ECU. There is an economic basis and raising the duty has been stipulated by the law on the budget. And everything is now in place. The question is as follows: whether the government will take care of everyone identically, ensuring everyone an equal share of the burden of the policy being pursued, or uphold the interests of specific social layers and a narrow group of sectors at the expense of all the rest. So far, the cabinet's actions are indicative more of the second version.

[Lolayeva] You said that you have doubts about the 1.2-percent monthly inflation embedded in the 1996 budget. But does the budget deficit figure of 3.9 percent of the VVP [Gross Domestic Product — GDP] seem workable to you?

[Zadornov] It can be achieved. The question is — at what price. We have held down wages and, in real terms, they fell over the year by 26 percent and incomes fell by 10 percent. Many sectors are in a most difficult situation and people are not receiving their wages for 2-3 months. And all these sacrifices have been made in the name of financial stabilization. But the average inflation over the year will scarcely be below 8 percent. It turns out that the sacrifices were in vain. It is possible, of course, to achieve a 4-percent deficit, but if the political will is there and provided that the burdens are equal for everyone without exception and within the framework of a different economic policy. Then the size of the budget deficit is not a goal, but rather, only a means for revitalizing the economy.

[Lolayeva] Considering that the basic budget indicators have been coordinated with the international financial organizations which are granting us credit, it is hardly possible to expect that the government will compromise with the Duma and agree to changing them....

[Zadornov] Our dependence on foreign loans is excessive. Perhaps not everyone knows, but the credits granted to Russia by the MVF [international Monetary Fund — IMF] go directly and entirely to pay the foreign debt. I.e., we take out loans in order to service our foreign debt which is increasing geometrically. Incidentally, the credits from the IMF and the World Bank cannot be extended and run for 3 years, after which they are supposed to be paid off. The nonfulfillment of this year's budget has been associated, in particular, with the fact that we are paying much more on the foreign debt than had been planned. And, in my view, we will not have a normal economic policy until we solve this problem.

In addition to the Russian debts, it is necessary to solve as fast as possible the matter of the repayment of other countries' debts to our state. Recently, Minister of Foreign Economic Relations Oleg Davydov stated that it is necessary to restructure these debts, even if not the entire 150 billion completely, at least part of them, and to recover them by one means or another.

[Lolayeva] I have had occasion to hear from fellow journalists that, sometimes, in responding to one question or another, you specify whether you are expressing an opinion as a member of the YaBLoko faction or speaking as the budget committee chairman. Do you consider yourself to be more of a politician or a professional economist?

[Zadornov] Undoubtedly, all the deputies are politicians and represent the interests of specific factions. In our committee, we are engaged in professional work and I am glad that I can use my professional knowledge, first of all.

[Lolayeva] In the Duma's lobby, there are rumors that your loyalty with respect to the government and, in particular, to the Ministry of Finance, has spoiled your relations with faction leader Grigoriy Yavlinskiy. To what extent does this correspond to reality?

[Zadornov] It does not correspond at all. In any work, complications arise and this also happens in mutual relations within a faction. But, as a rule, after tough discussions, we come to a common position. I work within the YaBLoko faction and I intend to continue this work and I will be participating in our political movement's election campaign. The other thing is that, during faction meetings, I try to uphold positions which I believe are correct. There are also objective reasons for such a dual position: the budget committee chairman's role itself requires searching for a compromise with the government. Any other course of behavior is destructive.

[Lolayeva] But how would you comment on the fact that a position has not been found for you in the central part of YaBLoko's election list?

[Zadornov] For now, this is the decision of the movement's leaders. The final list will be determined by the congress. A number of other deputies from our faction, no less well-known than I, will be elected by majority districts and the regional part of the list. I am about to be nominated from the Far East, by a majority district, and I will do everything so that as many people as possible in this region support YaBLoko.

[Lolayeva] In 2 years, you have become one of the most well-known Duma figures. Yet, all the same, such a step can be called risky....

[Zadornov] You grossly exaggerate my fame. Why the Far East? I spent my childhood there and my parents worked in Kamchatka for 30 years. This is a region, with which many people associate me, I have quite a few friends there and I would like to help the Far East, inasmuch as clearly inadequate attention is being paid to it now. In addition, in my view, a politician absolutely needs to have support from and ties to people, enterprises and sectors. However, if I do not get into the Duma, then I will engage in my professional activities.

[Lolayeva] If you are again elected a deputy all the same, how far will your ambitions reach? For example, would you like to become chairman of the State Duma?

[Zadornov] I have no such overblown pretensions. I am working in the budget committee and would like to retain approximately the same amount of responsibility.

[Lolayeva] If YaBLoko manages to participate in forming the cabinet, what kind of post in the executive structure would you like to occupy?

[Zadornov] This is an improper question. I am not one of those people who consider themselves capable of heading any ministry. So I cannot name a specific post. Undoubtedly, YaBLoko will face the task of participating in the government, but it is too early to talk about any kinds of high offices. This question can be decided only during the course of the consultations between the various political forces.

*Academician on Dollar/Ruble Exchange Rate Regulation

954E1290A Moscow BIZNES I BANKI in Russian No 31, August 95 pp 1,2

[Article by Professor Arkadiy Nagovitsin, active member of the Academy of Economics, Finance and Law, doctor of economic sciences and associate of the Russian Academy of Sciences Institute for Foreign Economic Studies: "Pluses and Minuses of the Currency Corridor"]

[FBIS Translated Text]

[Begin boxed material]

At the beginning of July, that which had been discussed in all the financial-banking structures since December of last year finally happened: The RF [Russian Federation] Government and the CBR [Central Bank of Russia] adopted the joint announcement, "On the Policy of the Ruble Exchange Rate in the Third Quarter of 1995." It states, as we know, that for purposes of ensuring stability on the currency markets and protecting domestic producers and the population, for the period from 6 July through 1 October 1995, limits on the fluctuations in the ruble exchange rate on the exchange and interbank currency markets will be imposed—from 4,300 to 4,900 rubles (R) per U.S. dollar. In other words, the fluctuations in the exchange rate of the dollar in the period from July through September must occur within a corridor of from minus 5.7 percent to plus 7.5 percent of the level of the dollar exchange rate on 5 July 1995. Is this good or bad? At the request of the editors of our newspaper, Arkadiy Nagovitsin, active member of the Academy of Economics, Finance and Law, doctor of economic sciences and professor, and associate at the Russian Academy of Sciences Institute of Foreign Economic Studies, expresses his opinion on this matter.

[End boxed material]

The currency exchange rate, as we know, is very changeable. It is influenced by the state of the country's payments balance, the level of inflation, the ratio of supply and demand of hard currencies, the competitiveness of Russian goods on the world market, as well as by political, military and a number of other factors—mediated or indirect, which temporarily or permanently affect the dynamics of the currency exchange rate. Currency operations themselves are associated with the movement of foreign currency, securities—payment documents (checks, promissory notes, etc.) and stock exchange securities (stocks, bonds) in foreign currency, precious metals, and natural precious stones.

In practice, during analysis of short-term movements in the currency exchange rates, we turn to a study of the following factors.

1. The influence of the money supply on the currency exchange rates. Tightening of credit conditions worsens the loan capacities and reduces general expenditures, which reduces demand on money and leads to a reduction in product output and cutbacks in the number of jobs.

2. The effect of real total income on the currency exchange rate. Much here depends on what causes the change in the amount of the national income: Increase in capacities for supply of products—and then the currency exchange rate increses, or increase in domestic demand—and then the currency exchange rate drops. Since the changes in total demand exert their influence on a short-term plane, while shifts in supply act in the long-term aspect, a higher level of national income also indicates a higher cost of the specific country's currency.

3. Differences in interest rates. Currency markets are very sensitive to fluctuations in interest rates: Surges in currency exchange rates often follow changes in interest rate levels.

Currency exchange rates are particularly sensitive to official announcements regarding the two measurements of the payments balance:

—the trade balance (country's net ratio of export and import);

—the balance of accounts on current operations (balance of export-import accounts on goods and services).

The setting of the currency corridor within the indicated margins by the Russian government and the Central Bank, in essence, has little relation to the real formulated socio-economic situation in Russia, and does not reflect the movement of the above-named parameters for the purpose of introducing regulated "floating" of the Russian ruble. After all, regulated "floating" of the ruble differs from free floating in that the Central Bank participates in the process of establishing the currency exchange rate on the free currency market, smoothing out the fluctuations in the exchange rate for the purpose of making it more predictable and stimulating foreign trade. Theoretically, this deserves approval, although the following question arises: Are the currency exchange rate fluctuations which are going on triggered by temporary causes?

Prediction in this sphere is a rather complex task, since the formation of the exchange rate is directly or indirectly influenced by a multitude of factors, which we mentioned above. Moreover, this is an interrelated phenomenon. In order to obtain an accurate result, it is necessary not only to establish the dependences between the currency exchange rate and the factors formulating it, but also to make an accurate prediction of the factors themselves for the examined period. As a rule, if the CB [Central Bank] makes a mistake in its computations and stubbornly supports a ruble exchange rate which differs from the one actually formulated on the market, this leads to a large-scale speculative game of "rushing to a single gate," and as a result the state and the population suffer significant losses.

The instability of a comparatively small sector of the national economy—the organized currency market—may have ruinous consequences for the entire national economy of Russia. This is confirmed by the following data. As a result of a drop in the ruble exchange rate—from R237 per dollar at the beginning of 1992 to more than R3,000 in the middle of October of 1994 and more than R5,000 in mid-May of 1995—there has been a sharp increase in domestic prices on imported goods. The growth of prices on imported foreign goods, aside from the fact that the domestic importer pays a significantly greater amount for each unit of hard currency, has also had a negative effect on the overall level of prices: They have increased not by three times, as the monetarist-reformers predicted, but by several thousand times (including on goods of large-scale demand and on food products).

Nevertheless, in the joint Announcement of the RF Government and the CBR on Economic Policy for 1995, the primary goal for this year is specified as the reduction of inflation on the average to a level of around 4 percent per month during 1995 and to a level of around 1 percent a month in the second half of 1995. In reality, inflation in the first half of the current year comprised an average of 9-12 percent per month, and its dynamics are such that to expect a decline in its monthly growth to a value of 1 percent by the end of the year is simply economic romanticism. According to the estimates of analysts, the GDP [gross domestic product] of Russia in the current year will decline by 4-7 percent, while the decline in industry is expected to be about 15 percent. Consequently, the introduction of a currency corridor does not do anything for the stabilization of Russia's socio-economic position.

Neither the government nor the Central Bank of Russia explain why the currency corridor is being introduced for only 3 months, nor do they say what has caused specifically such an amplitude of exchange rate fluctuations. How can we speak of stabilization if, according to the estimates of specialists, approximately 40-50 percent of the credit funds issued by the CBR are converted to cash money within a month and used for other their intended purpose? To the factors determining the high currency market rate, we may attribute the inability of the banking system to ensure normal processing of payments. Because of this, private trade has changed over almost entirely to accounting in cash rubles, which are not always given to the bank, and then not in full volume. Part of them, as we know, are converted into cash dollars. Moreover, cash dollars have begun to be used in small-scale and medium wholesale trade for accounting with business partners within Russia as well as within the limits of the CIS, since prices in currency are more stable than they are in Russian rubles. All this is what creates the preference for "dollarization of the entire country," and complicates the implementation of a correct national budget and exchange rate policy, since it increases the element of the money supply which is not subject to direct government control. The liberation of prices under conditions of the current huge disproportions of goods and money supply has not stimulated the growth of goods production or their distribution. Moreover, due to the instability of the domestic national currency, liberalization of prices in Russia has increased the temptation to engage in financial-bank speculation, which does not facilitate the creation of new assets.

The currency corridor introduced in July will have a varying effect on foreign trade participants. As we know, with increase in the exchange rate of the national currency, export is reduced, since the revenues from it (re-computed into the national currency) decline. This means the currency corridor in some measure leads to a reduction of Russian export. Moreover, the matter is aggravated, specifically, also by the export duties, which make Russian goods more expensive on world markets, thus reducing their competitiveness and hindering their sale. Yet already last year the quota on export of oil products was used by only slightly more than 70 percent, on copper—even less, and on timber—by slightly more than 50 percent, etc.

According to expert evaluations, 75-80 percent of the currency funds come to the domestic market of Russia from domestic enterprises, and the rest—from individual residents, as well as individuals and legal entities who are non-residents. According to MFER [Ministry of Foreign Economic Relations] data, enterprises spend 2/3 of their currency earnings for performance of import operations. They are very unwilling to sell their own currency on the market. At the admission of experts at the RF Minfin [Ministry of Finance], at the present time there are $10 billion in the currency accounts of enterprises, of which from 10 to 20 percent of these funds go to the currency market.

If we consider the fact that the cost of Russian import today comprises around half the cost of export (with insignificant fluctuations), it is apparent that national wealth of Russia is being exported abroad in the sum of from $15 to $20 billion per year. The introduction of a currency corridor, undoubtedly, will primarily deal a blow, and has already dealt a blow, to exporters. There are cases when contracts for export deliveries have been broken.

Today the American dollar fulfills all the monetary functions in Russia. According to various sources, there are from $30 to $35 billion being circulated within the country, which is significantly more than the ruble monetary base (in accordance with the exchange rate). And by this parameter, the introduction of a currency corridor will not alter the situation, but, in our opinion, will only strengthen the inflationary expectations even more.

Also not withstanding criticism is the statement of the acting chairman of the Central Bank of Russia to the effect that the CBR strives to balance demand and supply on the currency market by "throwing out" rubles there, while at the same time buying up currency and thereby, supposedly, smoothing out the fluctuations in its exchange rate. The fact is that the direct intent of the currency exchanges is to determine the currency exchange rate, which represents the price of foreign currency, while each country's currency deals on export and import of goods and services comprise the basis for determining the value of the national monetary unit. In other words, the demands for export of goods and services of one country or another necessitate its sale of foreign currency for the purpose of subsequent purchase of funds in the national currency. If this is so, the representative nature of currency trading sessions is extremely important, which in our country is characterized by a rather low level. Of the 2,500 commercial banks functioning today in Russia, only slightly over 400 are licensed for foreign currency operations. In the currency trading sessions, however, usually only from 52-63 commercial banks participate. Nevertheless, participation by 86 banks in trading sessions at MICE [Moscow Interbank Currency Exchange] on "black Tuesday"—11 October 1994 was perceived by the state commission created at the decision of the RF President to investigate the causes for what happened as being an extraordinary and very suspicious occurrence!

On the other hand, neither the government nor the CBR take into consideration the circumstance that the simultaneous increase in the spread of exchange quotes—be it the morning or evening trading session—is obvious even to the naked eye. Yet on the cash sale market, in the primary centers of currency trading, the dynamics of the quotes always take on a multidirectional character. Nevertheless, in all cases bankers get the maximal profit from operations on the purchase of currency and its subsequent re-sale through their branches or through "shuttles" in the appropriate banks.

This leads to inevitable changes in the relation of noncash and cash quotes. Specifically, the growth of the cash exchange rate of the dollar is noticebly beginning to lag behind the growth of its non-cash quotes. On the non-exchange market in non-cash sales, dollars may be acquired on the average for 1-3 points below the current stock exchange rate. Banks, however, at their exchange centers, sell primarily currency which was purchased in non-cash order on the inter-bank market and then converted to cash. For example, the St. Petersburg Stock Exchange had only to dissolve its agreement on joint cooperation with the SVAK-bank, and the volumes of its deals on purchase and sale of cash currency at this exchange's auction dropped to a record low, since the SVAK-bank accounted for 80-90 percent of all the currency sold at the exchange. At the present time, only one banking institution, the local branch of Kredobank, acts as the seller of cash currency on the SPFB [St. Petersburg Stock Exchange].

The introduction of the currency corridor also has no effect on the process of monetary circulation, since the state, while throwing out rubles onto the currency exchanges with one hand, with the other is not creating conditions for attracting ruble funds of individuals to the banks. Specifically, in recent times the Sberbank [Savings Bank] has been continually reducing its deposit rate on investments. While at the beginning of 1995 it was at the level of 8 percent (for term accounts with monthly payment of interest), for July it comprised only 5.5 percent, which is significantly lower than the monthly growth of inflation. There is little consolation also in the fact that, for the period of January-May of the current year, the overall volume of retail goods turnover, including public catering, comprised R175 trillion. This is three times more than for the corresponding period last year. In the commodity supply, however, the turnover declined by 9 percent during this period. So that in May of 1995 the volume of retail goods turnover remained at the level of May of last year.

We also cannot overlook the social consequences of introduction of the currency corridor. Depending on the changes in the situation on the currency and finance markets and the rates of inflation, the structure of public savings also changes. If we take the entire structure of monetary income of the Russian population as 100 percent, since March of this year the population has spent 17.6 percent of its income on the purchase of currency, in April—12.4 percent, and in May—9.7 percent. If we consider the fact that according to various estimates, up to $30 billion have been drawn into the country's monetary circulation and there is an apparent tendency toward reduction of the purchase of dollars, and if we at the same time discount the strong social stratification of the population, then we will get a distorted picture of what is going on. After all, the 10 percent of the most well-to-do portion of the population of Russia in January-May of this year accounted for 28 percent of the monetary income, while the 10 percent of the least well-provided strata of the population received only 2.2 percent of the income. Almost 64 percent of the population of Russia have income below the average level. The average per capita monetary income of 31 percent of Russian residents (and this is 46.5 million people) in January-May of 1995 was significantly below the subsistence minimum.

The introduction of the currency corridor will have no effect on the prosperity of the majority of the Russian population, since in the last 6 months there has already been a doubling of the currency exchange rate of the dollar in relation to the ruble.

Moreover, if we compare the introduced boundaries of change in the exchange rate of the ruble on the exchange and inter-bank currency markets (i.e., from R4,300 to R4,900 per dollar) with its level on "black Tuesday," when it reached R3,926, it turns out that today the ruble exchange rate is even lower than the value which was called catastrophic.

Thus, the introduction of the currency corridor is a tempest in a teapot, which bears, in our opinion, a purely propagandistic character on the threshold of the parliamentary and presidential elections. It is fitting to recall one more delicate topic. In April of 1994, the Prime Minister of the Russian Federation made the sadly famous announcement to the effect that, at the end of 1994, the exchange rate of the dollar would increase to R3,000, i.e., the Russian ruble would be devalued by two more times. This, in essence, is what provoked the well-known behavior of all aspects of the currency market. Analysts associate the increase in the exchange rate of the ruble and decline in the exchange rate of the dollar at the end of May 1995 and the subsequent introduction of the currency corridor with political, and not economic, factors. That very same prime minister has become the head of the "Russia is Our Home" political block.

*Lack of Control Over Privatization Leads to Corruption

954E1267B Moscow ROSSIYSKAYA GAZETA in Russian 16 Aug 95 p 3

[Article by Andrey Shcherbakov: "'Throwers' in the Director's Chair"]

[FBIS Translated Text] **The people are keeping quiet, the legislators are in no hurry, and smart operators are aspiring to supremacy in the Russian economy.**

At the dawn of free Russia, in August of 1991, we often heard that privatization might solve many problems, because only an owner is capable of doing business efficiently and ensuring the flourishing of the national economy. The advice of Nobel Prize-Winner Milton Friedman was repeated as an incantation: "Privatization, privatization and again privatization." True, another Nobel Prize-Winner, Vasiliy Leontyev, our former compatriot, warned of the danger of our economy sailing out of control in the free market ocean.

Monetary privatization has been going on in our country for a year now. True, in some regions, for example in Tataria, it was delayed for a year. In this republic every citizen can buy shares in prestigious enterprises at face value. Moreover, at first this right was granted to socially unprotected strata of the population, and after that to those paid from the budget. Only after this were shares in Kazanorgsintez, Nizhnekamskneftekhim, Tatneft and other profitable enterprises sold to anyone who wanted them. Incidentally, while at first Tataria actively moved shares of its own enterprises on the Russian market, after having discovered that the Moscow exchange workers were deliberately understating their prices, the republic's Goskomimushchestvo decided to stop the circulation of securities in the capital.

Tataria has a very responsible approach to the question of privatizing the enterprises of the defense complex. The shops are precisely divided into defense and consumer-goods production here: the latter can be privatized, the former remain state property. Evaluation of the property will pass under strict state control.

The situation with privatization in Tatarstan is a gratifying phenomenon but, it would appear, the exception to the rule. On the whole throughout Russia the situation remains complicated, sometimes inspiring alarm for the future of the Russian economy.

Who are they, these "capitalists," who are buying up the controlling bundles of shares of the leading enterprises? In other words, where do they get the money, and for what purpose are they investing in our economy? As specialists of the Main Administration on Economic Crime of the Russian MVD [Ministry of Internal Affairs] state, it is virtually impossible today to monitor the origin and movement of vast sums of money. According to some reports, $26 billion was imported to Russia in 1994 alone. This included money illegally exported from the country, funds stolen from the swindled depositors of various companies and firms, and drug dollars. The latter, incidentally, greatly alarms many Western countries, which are worried that Russia may become a convenient source of "laundering" money obtained by the criminal route.

The strict rules of business dictate: make use of every opportunity to gain a profit. True, in the developed Western countries, nerdish institutions are held in check by strong law and strict state control. In our country, however, not even the imperfect legislative acts in force are carried out. To this day they contain no clear-cut formulation of just what constitutes an "official." It would seem that one can, as one's wishes, "completely reel in," for a bribe, an ordinary traffic cop and the general director of a large plant turned into a joint-stock company, and get off with just a slight scare.

A particularly dangerous situation has formed around enterprises which occupy an exclusive place in the Russian economy. The example is often given of Uralmash, the controlling bundle of shares in which is owned by an unknown citizen who invested multibillion sums to get it. Few, however, know about the situation that has formed around the Shcherbinka Refractory Materials Plant — a monopolist in its sphere. MVD associates are tracing the attempts of the French firm, Sepr, to buy up 35 percent of the shares in this enterprise for a total of $5.5 million, while specialists estimate the actual value of the plant at 145 million "green ones."

The quite open privatizations of the French would have been much more modest or, at least, concealed, if there were not such a monstrous, I am not afraid to use this word, level of corruption among officials of all ranks, which has become the real scourge of today's Russia.

Officials also make use of the imperfection of the legislative base, and the open lack of control. It has now become quite fashionable, by using an official position, to understate the book value of enterprises being privatized. For example, when selling, on a competitive basis, the agricultural bases in Chebarkulskiy Rayon in Chelyabinsk Oblast, the chairman of the local property management committee, through manipulations, dismissed the true participants in the competition (not out of disinterest, one must think), as a result of which the base went to the "necessary" people for 128 million rubles [R], when the true value was R338 million. Cases have become more frequent of property fund directors placing the funds obtained from privatization in commercial banks, and simply appropriating the profit. For example, in Tula, the chairman and chief accountant of the municipal property fund put R40 million in their pockets for a while.

One can quite often hear the term — "scheduled privatization." There is some exaggeration in this definition, but there is also a grain of sense. Today many sectorial ministries have virtually no control over the course of privatization at specific enterprises. The directors have total freedom. We are sometimes surprised that they go off to foreign health resorts, ride in prestigious foreign-make cars and receive salaries in the multi-million class, while the workers do not see their wages for months. The surprise quickly passes away, because recently, according to the data of the VNII [All-Russian Scientific-Research Institute] of the RF MVD, Russia has invented a new, very efficient method of "privatization," which our legislators were not able to envisage. What is not prohibited, as we know, is permitted.

The basis of the method is the easily converted principle: "Take more — throw it farther." True, this time they are not throwing so far. The basic enterprise sets up a number of branches, to which it transfers equipment and monetary resources, in the form of "loans." Everything fuses "on the side," and the "branches" proclaim themselves insolvent, but there are no grounds for instituting criminal proceedings for an act of swindling, even if all the ins and outs of the cunning maneuvering are well known.

So it turns out: while the main portion of Russians have, pardon the rude remark, damn all in their pockets from the privatization, the enterprising Mister Comrades, making use of their official position and the imperfection of the legislative base, receive stunning "dividends." The RF MVD has long been directing the attention of the Goskomimushchestvo management and the legislators to these facts. But they obviously do not want to make any move.

*Customs Committee Chairman on Customs Tariffs Role

954E1261A Moscow EKONOMIKA I ZHIZN in Russian Jul 95 No 29, p 1

[Interview with Anatoliy Sergeyevich Kruglov, chairman of the RF State Customs Committee, conducted by N. Palkina: "The Customs Tariff as a Market Regulator"]

[FBIS Translated Text] **Last year Russia's Customs Service transferred 14.14 trillion rubles [R] to the Federal Budget. But the figure for the first half of this year was R17.29 trillion, including 434 billion in excise fees for goods subject to them and marked goods. The Customs Service expects to transfer a total of about R42 trillion to the budget; that is 25 percent of the budget's income.**

The chairman of the RF State Customs Committee [GTK], A. S. Kruglov, answers our EZh [EKONOMIKA I ZHIZN] correspondent's questions on the customs tariff's role in regulating the economy and on methodological approaches to its formation.

[Palkina] Anatoliy Sergeyevich, you will agree that our customs tariffs today perform more of a fiscal function and in practice do not play the role of stimulator of economic growth. In connection with this, in your opinion, how can the current tariffs, in particular the import tariffs introduced on 1 July, help overcome the decline in industrial production in Russia?

[Kruglov] I will begin all the same with the export tariff. The unique character of the present situation in Russia created by our desire to bring domestic prices of our output into line with world prices must be taken into account. So the introduction of export duties was, of course, an attempt not only to prevent the Russian raw material base from being nibbled away, but also to realize the natural fiscal function. If we can sell goods bought in Russia "for a song" on the world market and put the excess profit in our pockets, part of this profit simply must flow over into the state treasury.

We receive many requests to support proposals to reduce export rates. At times we are shown persuasive evidence that a high duty prevents this output from being sold on the foreign market, while there are no domestic consumers for it, because of reduced military-industrial production, for example. In some cases we meet them half-way.

However, lowering the rates does not solve the problem of overcoming the decline in industrial production. Russia has stopped producing machine tools with digital control, for example. And certainly not because of high export rates. There is a different reason: the producer is crushed by other taxes, the disruption of economic ties, nonpayments, and so on. In my opinion, the role of export duties in the problem of overcoming the decline in domestic production is very negligible. Customs are only one of the economic regulators of industrial production.

Now for the import tariff. I agree that there is a large degree of the fiscal function here too, and that is inevitable given the present budget deficit. All developing states are trying to resolve similar problems in just the same way.

On the other hand, import duties are also supposed to play a regulatory role. In Russia given the present exchange rate of the ruble, for a number of reasons output sometimes becomes more expensive than similar imported output. If quality is also taken into account, imported equipment, for example, is cheaper and of better quality, while imported meat and dairy output is cheaper but of lower quality.

Should we give domestic production up for lost under the pretext that the domestic market is saturated with some product? In the long term who will feed a country with a population of 150 million people? It is unlikely such countries or groups of countries will be found. But even if they were, can we make ourselves independent in this way?

So though it may at times be difficult, if we do not want to become a "banana republic" without bananas in the future, we must use the import tariff as much as possible for sensible protectionism, that is to say, in order to independently develop certain sectors and protect them from the impact of foreign competition as much as possible. For other sectors, the level of export duties must make our producer "watchful" and constantly think of lowering production costs and be mindful of the pressure from foreign producers.

[Palkina] Does the new import tariff affect the prime cost of output and accordingly profitability of enterprises working on the basis of imported components or materials?

[Kruglov] A relatively lower rate for customs duties on component parts with a relatively higher rate for finished output is one of the new approaches to forming the import tariff. For example, the duty on cathode ray tubes for televisions declined from 60 percent to 5-20 percent. Diodes and transistors and the like declined from 60 to 20-25 percent. At the same time, rates for, say, passenger car tires and household refrigerators have risen.

[Palkina] When the new rates for import duties were announced, many experts predicted a substantial rise in retail prices for imported goods. In fact that did not happen. Why not? Will there be a jump in prices in the near future?

[Kruglov] In my opinion, there is a set of different factors, both objective and subjective, at work here. Let us be frank, in all civilized countries the profit norm is rarely over 12-15 percent. But if we are speaking of military-industrial complex production facilities, it is 20 percent. But in our country 50 percent is too little for many of them!

Unfortunately, some of our entrepreneurs have, I would say, a criminal mentality. Perhaps this phenomenon is normal for the period of initial accumulation of capital, but I do not think that it should continue to be so.

One thing is clear right now: if the seller of imported goods decides to maintain his 100 percent profit, the product naturally gets costlier under the new tariffs. But if he agrees to 80 percent, that is not necessarily true at all. Because if I can buy a domestic product, I like it better and it is cheaper, and I will not buy a foreign product. So the merchant will have to share the "extra" 20 percent with the state.

[Palkina] Tell me, please, about the tasks of the consultative council on customs policy under the GTK.

[Kruglov] The council's formation was envisioned by the decree on the GTK which the president of the Russian Federation approved. The main objective is to create a feedback mechanism. We intend to invite representatives of large associations of industrialists, managers of foreign trade organizations, and representatives of banks and chambers of industrial commerce to participate in it. Its task is to help entrepreneurs who obey the law get through customs formalities faster. Those who are prepared to do business honestly have a right to expect that the state will take a corresponding attitude. Unique "green lights" will be created for them.

I think we will hold the first meeting no later than October.

[Palkina] In an interview not long ago, the director of the Federal Border Service, Andrey Nikolayev, advocated combining the border troops and customs. What do you think of that?

[Kruglov] I profoundly respect Nikolayev for his imposing character, loyalty to the border service, decisiveness, and directness. And the service itself is heroic with a glorious past and a very difficult present.

We must take into account, however, that in a market system of references, the customs system is an economic service. It even realizes its law enforcement function mainly through the economy, working on replenishing the budget, largely within the country, incidentally, rather than on the border. So-called internal customs offices formalize around 90 percent of the goods in our country. Now for the border. In line with my official duties, I have visited other countries, in particular Russia's main trade-economic partners. There is no such practice where passport-visa control and customs control are combined: the responsibilities are too different and the volume and orientation of the legal base is different, and as a result the cadres are different. And then too, we now have plenty to do to create a customs system able to serve the participants in foreign economic activity quickly and well. The frontier guards have enough problems of their own. We must stand on our feet altogether. And only then discuss questions of "associations and separations."

*Deputy Prosecutor on Effectiveness of Law Enforcement Organs

954E1262A Moscow ROSSIYSKAYA GAZETA in Russian 15 Aug 95 pp 1, 3

[Open letter and comments under the rubric "What Do We Fear When We Leave Our Homes?" followed by interview with Oleg Gaydanov, deputy general prosecutor of Russia, conducted by Boris Yamshanov: "Oleg Gaydanov: 'The Criminal Crisis Is a Danger to the Reforms'"; place and date not given]

[FBIS Translated Text]

Open Letter

Our readers, judging from letters to the editor, are following the conversation appearing in ROSSIYSKAYA GAZETA's pages under the rubric "What Do We Fear When We Leave Our Homes?" with interest. In their responses they emphasize that problems of people's personal safety and the fight against crime disturb people no less than problems of housing and earnings. Those upon whom our safety ultimately depends, workers in the law enforcement organs, also write us. Here is one of the letters.

"Today as never before glasnost and openness in the work of the MVD [Ministry of Internal Affairs] are very important. And we welcome the open talk fnot only about shortcomings in the work of the militsia, of which there are many, but also about the painful problems of all associates, from the rank-and-file to the generals, which has unfolded on the pages of ROSSIYSKAYA GAZETA. We hope that articles on progress in fulfilling the Federal Program for the Fight Against Crime will become regular in the paper. And we mean progress made by both the law enforcement organs and by other state and public organizations. Statements by members of the RF Government and deputies of the Federal Assembly devoted to creating a legislative, social, and technical base for maintaining public order would help our work a great deal. The attention of all strata of the population and the entire community will thereby be turned to fulfilling the program, which is the most reliable and uncompromising check on realization of the measures outlined to preserve law and order.

"The UVD [Internal Affairs Administration] of Saratov Oblast is prepared to do what it can in this work. Only by protecting people will we protect Russia."

V. Bulgakov, chief of the UVD and major general of the militsia.

V. Rubtsov, chairman of the UVD Veterans Council and major general of the internal service (retired).

We must confess that this letter pleased us. It reflects the concern of law enforcement workers for citizens' safety and the desire to find a solution to a situation which has become critical.

This situation is also difficult because it is not typical or usual for Russia. Our society has not yet developed immunity to the criminal sickness and its aggressive bacilli have taken people unaware.

In fact when the first booming shots were heard on our quiet streets a few years ago, many people indifferently decided that petty thieves were arguing among themselves and it did not affect ordinary people. But it turned out that "it" affects everyone.

The problems of the fight against crime and protecting Russian citizens from crime were discussed at the recent session of the Government presidium.

Our special correspondent, Boris Yamshanov, met with the deputy general prosecutor of Russia, Oleg Gaydanov, who gave a report at this session. (The interview with the well-known jurist is published on page 3.)

The Criminal Crisis Is a Danger to the Reforms

There is a deeply mistaken belief that only the law enforcement organs can rid society of crime. This has not been possible anywhere, ever, in any country of the world.

Those countries which have a rational relationship among the efforts of the state, the executive branch of power from top to bottom, the law enforcement structures, and society with all its many institutions are most fortunate in terms of crime.

The fight against crime as it now exists in the country must begin by formulating a contemporary state ideology utilizing all the capabilities that a state has, including the capabilities of the society itself and of the entire people. And this must be done immediately and in earnest; otherwise the criminal crisis may turn Russia from the path of reform.

The leaders of all law enforcement organs may be replaced over and over as many times as is desired. The number of policemen may be doubled or tripled. Nothing will change until we create a new, effective system for regulating legal relations in society. We must decide what the state is prepared to do economically and morally on the level of the fight against crime.

These days there really are no preventive measures and precautions against crime. We used to have such an institution. Whether it was good or bad is another question. But commissions on affairs of minors were in operation, schoolteachers and sponsors helped parents "save" wayward young people, and labor and sports youth camps were opened in the summers.

None of these now exist. But then child crime has risen sharply and victims among juveniles are taking on alarming proportions. All this is a breeding ground for the spread of crime. For 2 years we talked of the need for a law on preventive measures against crime, and a general concept for it has been formulated. There is no law.

Enterprises shut down and people find themselves out of work. This is also a basis for the rise in crime. But certainly these are problems of economics and they are outside the sphere of the law enforcement organs, and the minister of internal affairs will not resolve them. In other words, the state and specifically the Government must take on the whole block of these questions and engage the entire executive branch of power, including the law enforcement organs, in ensuring the state's internal security.

But the problem is also that under current legislation, the Government does not have the power to resolve this block of questions. It is altogether obvious that the law and the government's powers must be adjusted by increasing responsibility for law and order in the country. And that is certainly the competence of the Federal Assembly and the president.

I think that instead of the legislative and executive branches of power blaming each other, the time has come to take effective emergency measures to curb crime and bring legality and law and order to the country.

We must immediately adopt criminal and criminal procedure codes to bring the regulation of legal relations between the state and a person who has committed a crime into line with present realities. The principle of the inevitability of accountability and punishment for committing a crime absolutely must reign in a law-governed society.

We will be unable to master the situation without immediately bringing charges against persons apprehended with a weapon, explosives, narcotics, or stolen valuables and against those who have shown up at a specific place and time to accept the ransom for a kidnapping victim or offered armed resistance to arrest. In such cases there is more than adequate information to charge them immediately. I think that crimes committed in eyewitness conditions must be investigated within no more than 2 months.

The effectiveness of measures of procedural duress in terms of search and seizure of mail and telegraph messages and monitoring and recording of telephone conversations must be increased in exactly the same way. For the purpose of swift action, they should be conducted by the investigator's decision with the prosecutor's sanction. And persons who refuse to appear and give evidence to the investigative organs are also subject to being brought to criminal responsibility, regardless of the post they occupy. The constitutional principle—everyone is equal before the law—must be fulfilled by everyone.

So-called ordered homicides committed by hired killers create a special tension in society. In the large cities of Russia, above all Moscow and St. Petersburg, it seems we must create permanent operations-investigative inquest groups consisting of the most qualified workers. The creation of a unified Pol [police force] in the CIS is also on the agenda.

There was talk of all this at the session of the Government presidium. Many proposals were made as to priority measures and measures for the long run. Three departments, the MVD, the General Prosecutor's Office, and the FSB [Federal Security Service], were instructed to prepare a generalized report and present it to the Government. I personally got the impression that quick and decisive work will follow this straightforward talk.

*Statistics on 1995 Shipping Company Revenues

954F3094A Moscow SEGODNYA in Russian 8 Aug 95 p 7

[Unattributed article: "Russian Merchant Marine Earns $266.6 Million in Six Months"]

[FBIS Translated Text] Russian shipping companies obtained $266.6 million in net foreign currency income in the first six months of 1995 from the transportation of export-import cargo and other activities, which is 99.8 percent of the amount earned in the first six months of 1994. This was reported by the Department of Maritime Transport of the Ministry of Transport of the Russian Federation. The amount of proceeds as compared with the first six months of last year was down 0.2 percent, but as explained by a department specialist, such a decrease was minimal considering a decline of 7.5 percent as of the beginning of the year in Russian tonnage in overseas sailing. Department experts explain the partial compensation of a decrease in proceeds by an increase in shipping rates in the operations of the Russian fleet. By comparison with the first six months of last year, the volume of cargo shipments on merchant marine vessels decreased 10.4 percent, amounting to 30.9 million tonnes, which was caused by a 7.2 percent decrease in the size of the fleet, failures to deliver cargo for shipping, as well as by the insolvency of clients. A drop in the volume of shipments is noted in the Northern, Baltic, Novorossiysk, Far Eastern, Sakhalin, and Primorye shipping companies. Transportation of cargo in coastal navigation (on inland waters) also decreased by 16.9 percent as compared with last year, amounting to 2.4 million tonnes. The decrease in volume of coastal traffic is observed in all the shipping companies except for the Murmansk and Novorossiysk companies. In the first six months of 1995, there was a further decline in the transportation of foreign trade cargo by domestic ship owners, the volume of which amounted to 40.6 percent of the level in the first six months of the previous year (with a rise in shipment of cargo by foreign freighters whose share came to 92.3 percent as compared with 82.9 percent in 1994). The principal reason for a decline in the participation of the national fleet in shipment of foreign trade cargo, in the view of the experts, is the continuing rise in shipments using the buyers' vessels. In six months of 1995, maritime ports of Russia handled 28.7 million tonnes of dry cargo, which is 0.7 percent more than last year. The rise in the volume that was handled occurred because of an increase in the transshipment of export cargo—more than 21 million tonnes, or 12 percent more than in 1994. For the most part that consisted of metals, coal, and fertilizer. The volume of import goods handled decreased by 25 percent through a decline in the delivery of imported grain. The volume of transshipments of coastal freight (inland navigation) declined by 18 percent. The volume of cargo shipped to regions of the Far North also decreased and amounted to 93.3 percent of the volume in the same period of last year. In the opinion of specialists at the Department of Maritime Transport, on the whole the tendency toward lower indexes in almost all types of activity of the transport fleet of the Russian Federation will not only continue in the immediate future, but will grow, which is primarily due to a substantial decrease in the number of vessels (from 692 units in 1994 to 668 units predicted in 1995).

*Current State of Currency Bond Market Analyzed

954E1259B Moscow IZVESTIYA (FINANSOVYYE IZVESTIYA SUPPLEMENT) in Russian 15 Aug 95 No 56, p 3

[Article by Lev Makarevich, expert from Association of Russian Banks: "The Currency Bond Market Is Still in a State of Shock"]

[FBIS Translated Text] **The implications of the Russian Central Bank's decisions are analyzed here by Lev Makarevich, an expert from the Association of Russian Banks.**

The currency bond market still has not recovered from the shock of the institution of the currency corridor. The largest bond holders suffered particularly large losses. The variety of manipulations which lowered the exchange rate of the dollar resulted in the reduction of the current yield of assets with a face value in hard currency. This has forced many holders of these securities to discard them from their portfolios.

The reaction of the financial market offered more evidence of the poor coordination of the Central Bank's actions with Ministry of Finance policy. The ministry is having increasing difficulty neutralizing the negative implications of the Central Bank's exchange rate strategy with the aid of state securities (another indication was the failure of the latest auction of 6-month bonds on 9 August).

After the Ministry of Finance assumed the commitments of the bankrupt USSR Foreign Economic Bank (VEB), it had trouble persuading banks to take an interest in the market for bonds securing foreign and domestic hard currency loans. It was a much larger market (in terms of rubles) than other financial sectors.

The "Eurobonds" the VEB issued in European currencies in 1988-1990 were equivalent to 1.674 billion dollars. Most of this sum (1.341 billion) was issued in German marks and was floated in four series, maturing on 8 February 1995 (500 million marks), 4 August 1995 (500 million), 29 March 1996 (750 million), and 27 September 1996 (500 million). The tax-exempt annual coupon payments ranged from 7 percent to 8.875 percent.

The domestic currency loan (VVZ) consists of the frozen debts of the Foreign Economic Bank of the USSR, which were transformed into dollar securities (known as "taiga bonds" in the West) in 1993. The main holders of these securities were former clients of the VEB—enterprises which have held the bonds in trust or have sold them to banks and other entities in the financial market in Russia and abroad. The total VVZ bond issue (7.885 billion dollars) was divided into five series. The Ministry of Finance set the following dates of maturity: 14 May 1995 (266 million dollars), 14 May 1996 (1.518 billion), 14 May 1999 (1.307 billion), 15 May 2003 (2.627 billion), and 14 May 2008 (2.167 billion). Annual coupon income is 3 percent of the face value.

This market now appeals to domestic and foreign investors for more reasons than its impressive size.

At the beginning of 1995 the effective yield to maturity (discount plus reinvested coupon income) was 44.71 percent for the closest series and 18.78 percent for the most distant one. The annual current yield is 14.26 percent and 35.62 percent. The corresponding figures for the "Eurobonds" in marks are 300 percent, 18.23 percent, 147.61 percent, and 12.37 percent.

In view of the cost of credits for comparable periods (interbank credits are used by banks with these assets), the transactions could be quite lucrative. There was the added advantage of tax deductions and the fact that the bonds, purchased with rubles, are ruble assets, but with a face value in hard currency, which was convenient for the banks given the earlier dynamics of the dollar exchange rate. The securities were also valuable because of the conscientious way in which the state, represented by the Ministry of Finance, paid the coupon income and the principal for the first series, and because the bonds were concentrated not among the primary holders (enterprises), but among the operator banks. Investors were also pleased by the provision that the VVZ bonds could be used as part of the authorized capital of resident banks and other joint-stock companies and that this did not require special authorization from the Central Bank (this authorization is necessary for non-residents).

This situation, however, was followed by a series of surprises. The Central Bank prohibited the use of VVZ bonds as contributions to the authorized capital of banks on 1 March. The heightened instability of the financial market, including the instability caused by Central Bank policy, underscored many of the technical drawbacks of the currency bond issues. The main one was that they were geared only to large institutional investors, which complicated retail trade. The issues were simply recorded in documents. The absence of standard sales contracts, standard penalties for late payments, and a common exchange and clearinghouse were other drawbacks. The payments themselves took too many days to process—3 days for the "Eurobonds" and 5-7 days for the VVZ bonds, which was too long at a time of political and economic instability.

The domestic instability was compounded by external reservations. The decisions of many foreign banks and firms are affected by changes in the situation not only in Russia, but also in world markets for debt instruments, particularly Bulgaria, Poland, Nigeria, Ecuador, Venezuela, Brazil, Argentina, Mexico, and others. Mexico's recent devaluation of the peso, for example, was followed by the exacerbation of the international debt crisis.

Investors began to get rid of huge quantities of debt instruments from unreliable borrowers, including Russia, which had already unnerved the market with the war in Chechnya and the need to spend tens of billions of dollars on combat operations and restoration projects. This undermined the faith in the Russian Government's ability to keep up with its foreign exchange commitments—an ability which was already in question because of Russia's modest exports (the first to be affected adversely by the currency corridor), the capital drain, and the high interest payments on earlier loans.

The dumping of the currency bonds changed the roster of players in the market. The percentage of Russian investors rose dramatically. They began buying up the depreciated assets, which improved the quality of portfolios somewhat. The "corridor" policy of the Central Bank, however, kept banks from taking full advantage of these market trends. The banks have also had to take the realities of the upcoming election campaign into account. It has already forced the party in power to approve sizable social expenditures. This will increase the state debt and the difficulty of servicing it (which is already having an effect on the market for state short-term bonds) and will influence the execution of the 1995 budget, the exchange rates of freely convertible currencies, interbank lending rates, etc.

The institution of the currency corridor and the continued artificial reduction of the dollar exchange rate at a time of mounting ruble inflation are intensifying the stagnation in the currency bond market. This raises questions about the success of the plan for a second VVZ bond issue (of around 2 billion dollars) to cover the debts of the USSR Foreign Economic Bank to enterprises working with reserve and clearing currencies. This also applies to the plan to float "street" currency bonds (around 3 billion dollars)—certificates issued in five series with a face value of 100 dollars, for residents and non-residents, and coupon income of 10-12 percent per annum. The decision to postpone the issuance of the sixth and seventh series from this year to the next appears to have been made for the same reason.

There are still almost no transactions with VVZ bonds. The market is sustained almost exclusively by repo operations (the sale of securities and their subsequent redemption at a price set in advance, something like a security-based loan). Dealers have difficulty finding buyers for large blocks of these securities and have had to work on rare client orders. In essence, quotations without operations to back them up are meaningless.

A rise in demand in the near future probably cannot be expected among foreign investors either, because they are still trying to get rid of their currency bonds. Furthermore, the export of the bonds and the performance of depositary functions by non-residents are still prohibited. No leading foreign bank has set up a clearinghouse either, because this would require it to open a large high-tech office in Russia. Given the present state of the economy and the underdeveloped Russian stock market, there is still no guarantee that these costs could be recouped.

*Expansion of Regional Bonds Market Noted

954E1291A Moscow BIZNES I BANKI in Russian No 33, August 95 p 1

[Article by Yelena Starostenkova, candidate in economic sciences, senior scientific associate of the RAN [Russian Academy of Sciences] Economic Institute's Center for Macroeconomic Strategy: "Regional Bonds Winning Russian Market"]

[FBIS Translated Text]

[Begin boxed material]

The number of bond loans issued by Russian local organs of power is constantly increasing. From March 1994 through June 1995, Minfin [Ministry of Finance] registered 63 emissions. This figure speaks of the transition of the market in such securities to a qualitatively new level. For example, in 1992 there were five prospectus reports for emission of regional loan bonds registered, and in 1993—there were already eight. At the request of the BIZNES I BANKI editors, Yelena Starostenkova, candidate in economic sciences and senior scientific associate at the RAN Economics Institute Center for Macroeconomic Strategy presents an overview of the regional bonds market.

[End boxed material]

At the present time, we are seeing a growth not only in the number of bond loans, but also in their volumes. One of the first bond loans—the one in Nizhniy Novgorod—was issued in a volume of 5 billion rubles (R). Other loan bond offerings this year were even smaller in volume—R100-R500 million. A breakthrough occurred in the Spring of 1994, which saw the issuance of larger bond loans. For example, the administration of Perm Oblast issued loan bonds in the sum of R50 billion, and the second Nizhniy Novgorod bond issue already comprised R100 billion in volume. Major projects are being realized also in Moscow and St. Petersburg.

As a rule, the distribution of these securities is occurring rather successfully, while the overall vollume of issued bonds is slowly but surely becoming comparable in scope to the emission of securities by Minfin [Ministry of Finance]. Information on the latest regional bond issues registered in the RF [Russian Federation] Ministry of Finance is rather indicative.

On 30 May, the Chukotsk Okrug loan bond issue in a volume of R350 billion was registered. Shortly before this, the Tyumen Oblast loan bond issue in the overall sum of R800 billion was registered, and a month later—the loan bond issue of Khanty-Mansi Autonomous Okrug. The latter, perhaps, is not so great—its volume comprises R50 billion. But this is only a "test balloon." The okrug administration is not hiding its plans, in the case of successful realization of the first bond issue, to immediately go on to the next one, and to bring its volume up to R600 billion. These plans, evidently, are meant to be. After all, the first series of the trial loan bond issue was distributed almost immediately.

The banks are also taking a different attitude toward regional bonds. The regional banks, deprived, as a rule, of the possibility of direct access to the Minfin securities market, are exhibiting ever greater interest in work with bonds of local organs of power. No matter how small the first loan bond issue of Khanty-Mansi Okrug, the region's largest banks have involved themselves in the struggle for the right to become the general agent for servicing it. The winner was the "Tyumenskiy Credit" bank, one of the largest and most dynamically developing banks in the region, oriented toward support of investment programs of the fuel-energy complex. It appears that examples such as the recent refusal by one of the largest banks of St. Petersburg—the Industrial-Construction Bank—to participate in distribution of the municipal loan bond issue are fading into the past.

The shortcomings of the first municipal loans, among which experts cited their insufficiently reliable guarantees, low yield, undeveloped system of distribution, circulation and accounting of the bonds, are also gradually being overcome.

The yield of the last three loan bond issues is either fixed at a rather high level (12-14 percent per annum in currency), or indexed to the average weighted price of GKO [state short-term bonds] or to the rates of interbank credit. According to the technology of distribution and accounting, the Khanty-Mansi loan bond issue is already practically comparable to the GKO. The bond issue is emitted in non-cash form (in the form of notations in "depot" accounts), and the role of the loan depository is performed by a bank which has excellent technical capacities for this purpose. The guarantees granted by the loan bond emittants have been notably strengthened as compared with many of the previous bonds.

The regional loan bonds, as a rule, may be converted into fully tangible material assets, as for example, into packets of stock in enterprises in which the loan funds have been invested. Such a right is stipulated in the emission prospectus of the Chukotsk loan bonds, while the Khanty-Mansi Okrug bonds give their holders priority participating in the tender for development of the natural resources of the autonomous okrug. These specific examples, which may be multiplied if we expand the circle of examined loan bonds, rather eloquently testify to the fact that the Russian market is gradually filling up with highly reliable securities, which at times present no less interest for the investor than the customary GKOs, but which in some ways are even more attractive. It is no accident that regional loan bonds are the first to try to overcome the "term barrier," which for GKO comprises 12 months. The term of the last three loan bonds fluctuates from 3 months for Khanty-Mansi to 5 years for the Tyumensk issue.

The success of regional loan bonds will largely be facilitated by the sluggishness of Minfin. Its programs for creating regional GKO trading sites have still not been realized. They have weak technical support, and the rights of individuals to acquire securities emitted by the Center are practically not realized. There are also some purely technical difficulties in work with the GKOs: A packet of these bonds is not so easy for their holder to divide, and this sometimes creates insurmountable difficulties in attempts to obtain credit using these securities as collateral. At the same time, the pyramid structure of the federal securities market requires the expansion of its "base." The capacities of the Moscow financial market—with the largest volume in Russia—are nevertheless not boundless. And if regional bonds have time to fill the existing "gaps" in the all-Russian market, the prospects for expansion of the GKO market will become rather problematic. It seems that Minfin is also beginning to understand this, and is considering the possibility of expanding the market by means of non-residents. It is true, on this front too the regional loan bonds are ready to compete with the Minfin offerings—and quite successfully. The confidence of foreign investors in such securities, as a rule, is no less, and at times even higher, than toward the Minfin securities. The federal budget suffers from chronic deficits, while the regional loan bonds, as a rule, are emitted by the administrations of the oblasts, whose budget is balanced with surplus of income over expenditures.

Finally, interest in regional loan bonds is growing in connection with Minfin's recent adoption of the decision to grant securities emitted by subjects of the Federation the status of state securities, with all the benefits on taxation of income. The appropriate Minfin letter (No 79, dated 28 July 1995) has been coordinated with Gosnalogsluzhba [State Tax Service] and has already gone into effect.

*Complicated Tax System Alleged as One Cause of Economic Crime

954E1267A Moscow FINANSOVYYE IZVESTIYA in Russian 15 Aug 95 p iv

[Article by Andrey Nechayev: "The Tax System Is Pushing Business Toward Withdrawing into the Shadow Sector"]

[FBIS Translated Text] A report appeared in the press that the president had signed an edict reducing the tax burden on production. Boris Yeltsin, in the words of his assistant Aleksandr Livshits, was forced to deal with a matter so uncharacteristic of the head of the state as tax regulation by the fact that commissioning the government to draw up the appropriate draft law and submit it for the consideration of the State Duma would take an extremely long time. It is clear to everyone that the tax system which has formed in our country is inefficient and needs serious updating. But what kind of updating?

For many years our state was the major distributor of the national product, and to this day the question of how much to give whom is a favorite one for all branches of power. Of what worth is just the one recent discussion in the Duma of the draft of a Law on Non-Budgetary Funds, which places them in rigid dependence on state control. For a long time they put less thought into where to get what was being distributed. Taxes constitute a very important share of government income in the developed countries. In our country, avoidance of paying tax is considered to be of the highest valor, because it has to be suicide to pay taxes and leave nothing from the profits, either to develop business or to accumulate capital. But a situation in which, in some spheres, the sum total of the taxes in general exceeds 100 percent of the gross income is altogether absurd.

Naturally, both in parliament and in the government, everyone knows that we do not know how to collect taxes. We must learn to do a better job of collecting them, and new controlling bodies must therefore be created. And they really are being created. The Currency Control Administration, the tax policy and the president's control administration, plus the traditional control administration of the Ministry of Finance, tax inspectorates, etc., etc. After all, they are all working by the sweat of their brow. The careful check made by one control body (best not mention the disorganization which it brings into the life of an enterprise) does not at all rid it of an analogous check by another similar level of authority. The least mistake in calculating what is due the state, if discovered by the tax services, entails stiff fines. Sometimes, as the result of such checks, all the funds from the accounts are written off for fines and the consequence is the total shutdown of a respectable enterprise, whose accountant did not follow the new instructions.

Many people in our country also argue about the size of the tax. Unfortunately, everyone totally ignores, in their speeches, the recognized truth, that the level of tax collectability and the level of taxation are directly interrelated. One of the arguments often used is an allusion to foreign experience. As we know, the West has two basic types of tax systems. Let us call them the American and the Swedish, since everything used in the rest of the countries at all events gravitates toward one of the poles.

The American model is based on minimum tax pressure on the entrepreneur. In this case, though, in leaving him the maximum funds, the law thus encourages him to develop production, create new work places and pay workers adequate remuneration for work. It is not without reason that the American wage level is considered to be one of the highest in the world.

In addition, the American tax system, which specialists call the most complicated of all those in existence, is also a reader on applying the principle of state control of the economy through the tax system. The state's encouraging the development of sectors that are priority for the country is expressed not so much in direct investments as in special tax regulation. Unfortunately, this principle, if even used in our country today, is only in the form of primitive protectionism, mainly in the sphere of import tariffs. And here the financial-industrial groups, which in the developed countries of Europe enjoy the greatest tax allowance from the government as a strong and competitive union of producers, in our country make use of the consideration only on paper.

Swedish taxes, on the other hand, are almost equal to ours or even at a higher level. In this case, however, we can for the time being only dream of the system of social protection which this state offers its citizens. Even on the basis of our sad socialist experience, we will have to spend several decades to create a similar system. What is more, for the time being, we still clearly lag behind Sweden in our level of development. The main thing is that the efficiency in using state funds through a system of state control that our Northern neighbor has been creating for decades, is of a higher order. Although everyone in Sweden is already talking about a depression in the national economy due to the excessive tax burden and a lack of incentive to increase production efficiency.

It would appear that so far our legislators and government have taken the worst of these two systems — the anti-monopoly policy with respect to the FPG from the Americans and the level of taxes from the Swedes. Tax regulation, particularly in a transitional economy, should serve to draw in the private investor and stimulate his investment in the economy. In addition, we should put into order and precisely define the functions of the financial and tax organs. We need stable tax legislation, which leaves little room for the tax initiative of local organs of authority. Right now, despite certain movements, the near future of tax legislation leaves little room for optimism.

For example, V. Panskov, minister of Finance, recently noted that, despite a number of corrections in the tax system, no cardinal changes will take place in it. This makes inevitable a further withdrawal of businessmen from honest business to the shadow, and even frankly criminal sector, as a means of saving themselves from the fiscal policy of the state, and an irrepressible increase in the criminalization of the economy.

*Russian Bank of Reconstruction, Development Faces Bankruptcy

954E1284A Moscow KOMMERSANT-DAILY in Russian 16 Aug 95 p 1, 5

[Article by Gleb Baranov, Yuliya Pelekhova, Igor Trosnikov and Mikhail Loginov: "The RBRR—Russian Bank of Ranting and Rancor"]

[FBIS Translated Text] *Last week KOMMERSANT-DAILY reported on the conflict that has broken out within the leadership of the Russian Bank of Reconstruction and Development (RBRR). The "non-traditional" deal that was made with the blessing of bank Chairman of the Board Viktor Dmitriyev—the mortgage fund of Amur Oblast of 8.5 trillion rubles was entered onto the balance sheet of the RBRR—was the cause of the arguments. The opponents of Mr. Dmitriyev on the board of directors considered this deal to be improper and even absurd, and made the decision to dismiss the chairman. Correspondents of KOMMERSANT-DAILY undertook a small investigation of the matter, the result of which was this article.*

The Contributions of the Founders and Grants Were Not Enough for Long

The RBRR was started with the sweep characteristic of domestic government programs. An organizational committee was created by directive of Boris Yeltsin at the end of 1992, and included RF Supreme Soviet Deputy Viktor Dmitriyev (chairman), Deputy Minister of Finance Andrey Vavilov, Minister of Foreign Economic Relations Sergey Glazyev, Minister of Economics Andrey Nechayev and Moscow government member Konstantin Buravlev. The well-known entrepreneurs Oleg Kiselev, Konstantin Zatulin, Lev Vaynberg, Kakha Bendukidze, Mark Masarskiy and a few others later joined the work to create the bank. Sports journalists have a common expression, "many stars, but not a team," which is wholly applicable to the RBRR—despite the abundance of entrepreneurs, well-known and quite gifted in their field, among the bank's leadership, it has not started to operate normally.

KOMMERSANT-DAILY has the bank's balance sheet for 1 August 1995. If you take the fantastic Amur trillions out of the overall total, the balance sheet of the bank is left with just a billion rubles. The bank has effectively not gotten down to operations over the two-plus years of its existence, and has only been eating up the authorized capital. The chief of the RFK [Russian Financial Corporation], Andrey Nechayev, in an interview with KOMMERSANT-DAILY, defined the behavior of the leadership of the RBRR as personified by Mr. Dmitriyev as "not entirely rational." The bank leased an expensive building on Kropotkinskaya St. and set high salaries for the executives—some 5—7 million rubles a month (that was in 1993!). The bank also conducted several exceedingly unsuccessful commercial operations in the MBK market in an amount of more that 400 million rubles—the losses were 100 percent (!). The losses of the RBRR thus reached approximately 1.5 billion rubles at the end of July 1995, in the face of authorized capital of 1.8 billion plus the indebtedness to the RFFI [Russian Federal Property Fund] of another 1.5 billion rubles on deposit.

Viktor Dmitriyev himself did not deny that the bank is in an unenviable position. He reported to KOMMERSANT-DAILY that the money was actually spent on project development and the maintenance of staff. The $3.5 million received as a grant from the government of Japan in particular went for paying consultants and experts.

The Shareholders Had Much of Interest to Say About Each Other

Both sides agree that the bank has reached the end of its rope. But they describe quite differently the reasons for such a disastrous situation. In the opinion of NIPEK executive Kakha Bendukidze, all of the unpleasantness at the RBRR occurred because an absolutely unprofessional person, unable to carry out any intelligent commercial activity, was the the bank president. Viktor Dmitriyev, in the words of Mr. Bendukidze, was always running around with nonsensical ideas; for example, he intended to participate in a deal in a deal to exchange $5 billion for 15 billion Kuwaiti dinars in cash. A complete lack of business abilities, however, did not keep Mr. Dmitriyev from aspiring to one-man rule. A fight between Viktor Dmitriyev, who wanted to personify state interests, and the private shareholders started from the very beginning among the bank's leadership. Kakha Bendukidze relates that Mr. Dmitriyev wrote letters to Boris Yeltsin in which he asked that he be named the state representative at the RBRR, and proposed that the state's share in the bank's capital be brought to 51 percent. Mr. Bendukidze also accused Viktor Dmitriyev of constantly disrupting the meetings of members of the board of directors with experts from the World Bank at which the RBRR development program was to be discussed.

Viktor Dmitriyev in turn feels that the reason for the non-viability of the RBRR is far from the non-professionalism of some members of the board, but rather in the inability (or reluctance) of the members of the board of directors to come to agreement with each other. Dmitriyev deputy Mr. Galumov also reminds us that Viktor Dmitriyev took the position of chairman of the board and obtained any real power just a few months ago. The position of chairman had been held before that by Gennadiy Kantserov, who then went on to work at the ONEKSIMbank, and the well-known entrepreneur Lev Vaynberg. It was during Mr. Vaynberg's time as chairman that the completely improbable episode that in fact deprived the bank of any hopes of a better future actually took place.

The fact is that agreement was effectively reached with the World Bank in 1994 that the World Bank would become a shareholder of the RBRR. Insofar as the World Bank intended to participate in the capital of the Russian bank with a quite solid sum, the relative share of the private shareholders was automatically decreased. They could not or did not want to add to the bank's capital an amount sufficient to preserve their proportionate shares. The step they took in this situation, in the words of Mr. Dmitriyev, was unprecedented. The shareholding entrepreneurs made changes in the charter of the RBRR according to which no decisions could be made without the approval of a majority of the **initial** shareholders, even in the event of an increase in the authorized capital of the bank by money from the World Bank. The altered charter was not recorded, true, but the World Bank was able to reject the deal. Mr. Galumov says that Lev Vaynberg tried to reconcile with the World Bank, but only succeeded in ruining things even more. Today, says Mr. Galumov, the World Bank "doesn't even want to hear his name."

How Much Does Iron Ore From Amur Oblast Cost?

The hopes of getting money from the World Bank evaporated, and matters went quite poorly. And now we come to the phenomenal episode of the "Amur trillions." The unfortunate chief of the GKI [State Property Committee], Vladimir Polevanov, while still head of the Amur Oblast administration, turns out to have created a "mortgage fund" for the oblast. The work "fund" should not confuse anyone. This was not money, but rather the right to develop the natural resources of Amur Oblast. The amount of the fund was calculated "as the market value of the iron ore fields in Amur Oblast, reduced by 40 percent," for the purpose of "increasing the liquidity of the mortgage" (!). Such a valuation, in the opinion of Andrey Nechayev, was completely invalid. He feels that a field that is not being developed is not very liquid even at a discount. The more emotional Kakha Bendukidze declares that the discount should have been 99.9 percent, and not 40 percent, in this case.

Viktor Dmitriyev did not think so, however, and gave the go-ahead to perform a surprising accounting entry: some eight-plus trillion rubles appeared on the liabilities side of the balance sheet under account 012, "Special Allocations," and the same amount ended up on the asset side in account 076, "Settlements for Foreign Operations." The advocates of Mr. Dmitriyev feel that the correctness of this operation was confirmed by the auditing firm of Balans Ltd., but the TsB [Central Bank] of Russia displayed great caution. A letter addressed to Mr. Dmitriyev says that "Since the proposed project is a non-traditional operation in Russian banking activity, the question of the propriety of allocating the indicated amounts to the balance sheet of the bank must be studied with the corresponding structures of the Central Bank... Owing to the complexity of the question you asked, the administration (the TsOU—*KD*) cannot accept the balance sheet of the RBRR AKB..."

Accounting wisdom aside, the sense of these manipulations of the figures is clear. The bank swells its assets using non-realistic amounts, and them begins to issue its own securities or attract credit for those assets. It was actually planned to issue notes and sell them to Russian companies for the "Amur trillions."

This technique itself was developed, as Mr. Galumov asserts, by the Fund for the Social Protection of Servicemen that he heads. When Mr. Dmitriyev became chairman of the board of the RBRR, Erast Galumov and his team came over to the bank. He says that contracts have already been signed with a number of Western banks to allocate lines of credit, and this technique (he refused, by the way, to relate the details of it, pleading know-how) does not violate the law. Mr. Galumov assures us that several offers have already come to him personally from major banks for him to go over to them and employ this technique using their base. The authors of the "technique," however, did not take into account some of the details noted by Andrey Nechayev. Inflating assets has drawbacks as well as advantages, in the form of increased amounts of tax payments. Imagine, for example, that the rise in the exchange rate of the dollar resumes, and the "mortgage fund" is valued in hard currency. One would ask, how much will the bank be paying in taxes on the exchange-rate difference?

This "deal," in short, became the drop that caused the cup of patience of Dmitriyev's opponents to run over.

The board of directors tried last week to remove Viktor Dmitriyev from his position. The attempt, however, was not successful—the votes were evenly split. The advocates of the chairman of the board moreover assert that the board cannot remove Dmitriyev. That is how it is written in the bank's charter. All of this, true, is not so important now.

Will Andrey Nechayev Save the RBRR?

The finale of this episode is not comforting. Such stories of accounting entries of "thin air" do not fail to leave a mark on the reputation of the bank. The financial status of the RBRR could by all rights be called a collapse. The leadership is rent with irreconcilable differences. A suggestion by RFK head Andrey Nechayev could be a way out of this situation; he has suggested that the disintegrating bank be placed under the wing of the corporation, thereby preserving it as a state institution. This plan would possibly not be all that hard to realize. KOMMERSANT-DAILY has learned that some private shareholders intend to leave the ranks of the bank's shareholders. Kakha Bendukidze has decided to do likewise, for example; he reported in a conversation with a KOMMERSANT-DAILY correspondent that NIPEK would most likely sell its block of shares. This decision was reached by the NIPEK manager literally just the other day; before that he had intended to battle Viktor Dmitriyev "to a victorious end." The intervention of the RFK, however, in no way guarantees a cloudless future for the RBRR, the more so as Andrey Nechayev still has no clear-cut plan for getting the bank out of the crisis. The bank will possibly have to think about some new occupation. It obviously cannot count on money from international financial organizations.

The bank was registered on 12 June 1993 with an authorized capital of 1.84 billion dollars, which has not been changed to this day. Thirty-five percent of the shares of stock in the RBRR belong to the Russian Federal Property Fund (with the block controlled jointly by the RFFI, the State Property Committee and the Ministry of Finance), with the rest scattered among private shareholders (the Baltic Bank, the October Railroad, Rosvooruzheniye, the MES RAO [Russian Joint-Stock Company], Moscow Telecommunications Systems and NIPEK, among others). The RBRR, according to the intent of its creators, was to have been engaged in the distribution of credits obtained by Russia from the World Bank and other international financial organizations.

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*Meeting To Promote Investment 1995-97

954E1276A Moscow DELOVOY MIR in Russian
12 Aug 95 p 1

[Article by Miroslav Buzhkevich, DM political correspondent: "They Have Approved the Program. We Await the Capital"]

[FBIS Translated Text] **The regular meeting of the Russian government, conducted by O. Soskovets, first vice-premier, began with a discussion of the Comprehensive Program To Stimulate Domestic and Foreign Investments in the Country's Economy.**

Just what is scaring entrepreneurs away from investing in the Russian economy? Discarding the political aspects of this question, let us turn to its economic and legal aspects, which have the main influence on improving Russia's investment climate. They are the onerous tax system, the poorly developed market infrastructure, the unpredictability of changes in the legislation and the crime-conducive factor in enterprise.

The program, which the government recently discussed for the third time, by the way, is aimed at eliminating these and a number of other deficiencies. Measures will be taken toward ensuring the protection of the individual and the property of the investors and toward improving the legal base. Moreover, cases of retroactive laws and normative acts should be eliminated. This is happening even today. After the duties on imported goods were increased, a great deal of equipment, which had arrived before the signed contract, accumulated at a number of Russian customs houses, and the owner must now submit additional payment for it.

The intention is to create a system of guarantee and insurance for foreign investments. An optimal level of taxes, tariffs and privileges, comparable with the investment conditions in other countries, is to be introduced.

When allowing foreign capital into our economy, the interests of Russia's national security should naturally be observed. Foreign investments cannot be made in a number of sectors and types of production which are of strategic or exceptional economic significance for the country. At the same time, it is stipulated that a list be made of priority sectors and enterprises to which the capital of domestic and foreign businessmen be particularly attracted, on the basis of a system of stimuli and benefits.

The state has turned this year to allocating centralized investments on a competitive basis. The idea of the new approach lies in giving credit to a candidate for carrying out a certain specific production project based on a business plan showing that the structural reorganization outlined will pay for itself in two years. A Commission on Investment Competitions is already at work. Over 300 projects have arrived for participation in the competitions. Only 54, however, have been allowed for consideration — the commission's council of experts acknowledged that the rest were inefficient, mainly because their business-plans were unconvincing. Competitive allocation of the projects has a firm rule: the state provides 20 percent of the capital, and the private investor — 80 percent.

The decree prepared by the government on additional stimulation of private investments was dedicated to developing the idea of state-commercial financing of the projects. The decree contains two innovations: certification of the projects and state guarantees for the investors. The certificate attests to the quality of the project and determines the amount of federal support, which can fluctuate, depending on the significance of the project, within a range of 50 to 20 percent of its cost.

Realization of the Comprehensive Program is estimated for 1995-1997. According to predictions of the Ministry of Economics, the volume of capital investments from all sources of financing next year will increase by 4 percent, and the following year — by 7 percent. The total amount of investments in 1996 is 310 trillion rubles [R], in 1997 — R380 trillion (at the prices of the corresponding years). The relative proportion of capital investments in the social sphere in 1993 was 40 percent of the total investments. Next year it will be 45-46 percent, and in 1997 — 46-47 percent.

The main source of capital investments in the economy in the next three years will be the funds of enterprises, primarily their amortization allotments. The ratio is as follows: out of R260.4 trillion of total investments from these sources in 1997, R218 trillion will be funds obtained from depreciation of equipment, from which, incidentally, no taxes will be taken.

Various forms of housing construction are being stimulated. Sizable funds are to be drawn from the population for this purpose. The securities market plays a decisive role here.

The Comprehensive Program for Stimulating Investments in the Russian Economy is "propped up" by a sound plan for drawing up legal and normative acts — over 20 of them.

The government has recently adopted a number of important programs and decrees aimed at surmounting the production crisis and improving Russia's social climate. This activity can only be welcomed. The only confusing thing is the proposal in the approved document, among the causes holding back an influx of capital investments in the Russian economy, that mention of the political instability and complexity of the economic situation in the country be removed. Government members did not protest. Either they were tired of the quite keen debates or they felt over their heads the shadow of the coming parliamentary elections. Why throw stones in your own garden?

*Program To Stimulate Domestic, Foreign Investment Adopted

954E1259A Moscow IZVESTIYA (FINANSOVYYE IZVESTIYA SUPPLEMENT) in Russian 15 Aug 95 No 56, pp 1-2

[Article by Aleksey Portanskiy: "Without Clear Rules of Play, the Investment Boom Can Only Be a Dream"]

[FBIS Translated Text] The government has approved the "Comprehensive Program for the Stimulation of Domestic and Foreign Investment in the RF Economy." According to expert appraisals, the Russian economy is capable of absorbing 40-50 billion dollars in foreign investments a year. In recent years, however, the volume of investments from abroad has not exceeded a billion dollars a year and has even displayed a tendency toward reduction. Now foreign big business is playing a waiting game in connection with the upcoming parliamentary and presidential elections in Russia.

According to the most optimistic estimates, foreign investments totaling around 7 billion dollars (excluding portfolio investments) entered the domestic economy during the years of reform, and the amount actually invested could be much lower. For the sake of comparison, the volume of foreign investment in China is estimated at 100 billion dollars, with annual additions of 4 billion. Approximately 10 billion dollars in foreign capital is invested in the United States and France each year.

The draft comprehensive program submitted to the government correctly blames the unfavorable investment climate in Russia on the "instability of the political and economic situation, the difficulty of predicting changes in legislation, the oppressive tax system, the uncoordinated actions of agencies of the executive branch of government on the federal level and agencies of federation members, and the high rate of crime in business." The reference to domestic "instability," however, bothered First Vice Premier Oleg Soskovets, who chaired the meeting. As a result, according to what FINANSOVYYE IZVESTIYA was told in the Ministry of Economics, this paragraph will be "re-edited."

It is unlikely that stability can be instituted on orders from above. Even if this is already the second year in which the country has not experienced any attempts to change the government by force, this does not signify the onset of stability to the investor. It is still lacking on the legislative and institutional levels—i.e., there are still no permanent rules of play.

The experience of countries which have managed to attract large foreign investments in their economies clearly indicates the need for an autonomous body in the institutional sphere engaged solely in the administration of investment.

This kind of body was created on the federal level by a presidential edict in August 1992—the Russian Agency for International Cooperation and Development (RAMSIR), but only a year and a half later, when RAMSIR had just begun to take independent action and was making a name for itself abroad, it was unexpectedly put under the jurisdiction of the Ministry of Foreign Economic Relations and was then abolished completely.

Former subdivisions of RAMSIR—the Registration Chamber and the Project Financing Center—became autonomous institutions. The Russian Center for the Promotion of Foreign Investment was added to them. This resulted in the erosion of the main function of drafting legislative instruments and conducting investment negotiations. Actually, all of this was officially still in place, but on a lower level, the ministerial level instead of the earlier federal level, and as soon as the negotiating process becomes the responsibility of a ministry, even one as solid as the Ministry of Economics, this immediately becomes only one of a multitude of functions. This has an adverse effect on the function of directing the flow of investment. Foreigners have already sensed this, and it is one of the main reasons for the decline of investment activity.

Last November Minister of Economics Yevgeniy Yasin admitted that the organizations in charge of private investment are changed too frequently in Russia. Recently the minister was already suggesting that it might be a good thing to have a single agency in charge of investment. It is possible that a new RAMSIR could come into being here soon.

It is not surprising that after the collapse of the earlier structures, the "choice of the specific list of priority branches and types of production for the attraction of domestic and foreign investment" is listed as one of the objectives of the program. This list, however, was already drawn up by the government just two years ago and assigned priority to the production of food, medicine, and consumer goods. These spheres were followed by the basic industries—the fuel and energy complex and metallurgy. No one has rescinded this list, so why should it have to be drawn up again?

The program makes absolutely justified references to the need to improve the legal base for investors. At this time it would be even more justifiable to speak of the absence of the necessary legal base for investors. The main legal document in this area is still the Law of the RSFSR on Foreign Investment of July 1991—i.e., of the Soviet period. The draft federal law on amendments and additions to it has been in the State Duma for several months, along with the law on the free economic zones, without making any perceptible progress. Another bill of key importance to the investment process is stuck in the Federation Council—the Law on the Division of Production Units. There is also a need to draft several other documents on important matters, such as the criteria for the appraisal of parcels of land, the procedure for returning exported Russian capital, the procedure for the purchase of state securities by foreign investors, and others.

The Land Code in its present form, from which the whole concept of private ownership of the land has been virtually deleted, could have the most adverse effect on future investment in Russia. The comprehensive program quite justifiably points out the need to grant land ownership rights to foreign investors and to guarantee their long-term leases of parcels of land.

The widely publicized innovations in the program are the state guarantees for investors and the certification of investment projects. The better the project, the higher the possible level of state participation (from 20 to 40 percent). No one knows how this plan will work yet. As for the sensitive issue of investment guarantees, this is another matter which was addressed by a presidential edict long ago. Back in 1993 the International Agency for the Guarantee of Investments in Russia (MAGIR) was established by presidential edict. The idea was supported by the "big seven," which were worried about the high business risks in the Russian market. No one knows what happened to this edict. The large foreign investor, however, will need guarantees on the international level before he can agree to invest money in Russia.

*Share Investment Funds' Potential Assessed

Securities Commission 'Enthusiastic'

954E1275A Moscow KOMMERSANT DAILY in Russian 29 Jul 95 p 2

[Article by Natalya Samoylova: "The Securities Commission Has Confidence in Share Funds"]

[FBIS Translated Text] **The press conference held yesterday by Dmitriy Vasilyev, deputy chairman of the Federal Commission on Securities and the Stock Market, was a very important event. Vasilyev came out with official comments on the presidential edict, issued the day before, "On Additional Measures To Increase the Efficiency of the Investment Policy in the Russian Federation." The essence of the comments was this: the commission is full of enthusiasm for the creation, specified by the edict, of share investment funds. Moreover, the authorities are not particularly hiding the fact that they hope to repeat the success of the "financial pyramids," with respect to attracting the savings of the population.**

As became clear at the press conference, the state fully and officially acknowledges its aspirations to use the money, which is for the time being in the hands of the people, in its own interests: according to Vasilyev, $20 billion worth of individual savings are still "not shared anywhere." The creation of share investment funds, stipulated by the presidential edict, was simply recognized as the most convenient way of attracting these savings. The essence of a financial institution such as a share fund is quite commonplace — the citizens deposit money in some common fund, acquiring the right to a certain share in its property; if the funds are successfully invested, the property fund will grow — the shares will grow accordingly.

It would appear that the question arises of the attractiveness of these funds for small investors. As Vasilyev stated, the share funds have at least one advantage over competitors — they make it possible to avoid double taxation on investments. Since the fund itself is not a legal person, it is not subject to profit tax; the incomes of the shareholders are liable only to ordinary income tax. As a result, depositing money in a share fund makes it possible to obtain an income 20-25 percent higher than that from all other types of investments. The commission's certainty that double taxation can really manage to be avoided is quite noteworthy. There are no such guarantees, strictly speaking, in the edict itself.

It is clear, however, that one advantage, of no small importance in the eyes of citizens who have so far retained remnants of faith in the state, should in any case be the fact that the share funds are being created under the open patronage of the authorities. According to the edict, all the activity of the funds — starting with the issuing of licenses to controlling companies, depositaries and independent appraisers, and ending with advertising campaigns — must be strictly regulated by the Federal Securities Commission. The depositors, therefore, should not be formally swindled. Vasilyev particularly noted the accessibility of the funds for deposits made by non-residents — it was confirmed that the edict contains no restrictions on their account.

At the press conference, attention was directed to another outwardly unremarkable point in the edict — the long-awaited right to convert check investment funds into share funds has been granted. This will make it possible for check funds to make their shares liquid (since they will be able to redeem their own securities) and considerably increase their attractiveness through the easing of the taxation conditions.

In confirming the correctness of the chosen form of attracting investments, Dmitriy Vasilyev alluded to world experience: mutual funds are among the most widespread financial institutions in the world economy. French mutual funds are closest of all to the Russian version. The commission's deputy chairman made an interesting admission: that the "bureaucratization" of these funds is inevitable and typical of all countries.

Vasilyev also spoke about the realistic deadlines for setting up the new financial institution. For two months, the commission has been drawing up all the normative acts, stipulated by the edict, that regulate the activity of the funds. A statute on evaluation of the net assets of these funds will be ready in August. The commission fully realizes, however, that even with the presence of a normative base, the real creation of the funds takes time. In Dmitriy Vasilyev's words, the boom will come in 1996. By this time, according to his predictions, the funds will satisfy 6-10 percent of the investment demand, that is, will draw in $1.5-2 billion.

[Box, p 2]

The Basic Provisions of the Presidential Edict

Investment activity may be implemented through the purchase, by physical and legal persons, of investment shares of share investment funds, which are a property complex without the creation of a legal person, the fiducial management of the property of which the controlling companies of the share investment funds carry out for the purpose of increasing the property of the corresponding share investment funds.

State organs and organs of local government may not come forth as investors in share and investment funds.

The investment share is a registered security, certifying the right of the investor, upon his presenting the controlling company with a request, to redeem the investment share for the receipt of monetary funds in the amount determined on the basis of the value of the property of the share investment fund on the date of redemption. Each investment share grants its owner identical rights. The procedure for issuing the investment shares, for distributing and circulating them and for registering the prospectus for emission is established by the Federal Commission on Securities and the Stock Market. The period for distributing the investment shares is not restricted. Interest and dividends on investment shares are not added on. It is impermissible to issue securities derived from investment shares.

The share investment fund may be open or interval. A share investment fund is recognized as open if the controlling company takes on the duty of implementing the redemption of the investment shares it redeemed at the request of the investor, within the period established by the rules of the share investment fund, but not over 15 working days from the date of presenting the request. A share investment fund is recognized as interval, if the controlling company takes on the duty of implementing the redemption of the investment shares that it redeemed at the request of the investor, within the period established by the rules of the share investment fund, but no less often than once a year.

Only a commercial organization which has a license for the right to carry out activity with respect to fiducial management of the property of share investment funds may be a controlling company.

New Funds No Better Than Check Investment Funds

954E1275B Moscow ROSSIYSKAYA GAZETA (BIZNES V ROSSII SUPPLEMENT) in Russian 11 Aug 95 p 13

[Article by Aleksandr Velichenkov: "Painted Gates for 'Hot' Money"]

[FBIS Translated Text] **The President's Edict No 765 "On Additional Measures To Increase the Efficiency of the RF Investment Policy" has provoked lively discussion in the press**

In order to make any real sense out of the Edict, you have to start from a distance.

It is obvious that the creation of any new financial or investment instruments causes an overflow of capital on the market. With the limited amount of financial resources, the funds have to retire from one market in order to appear on a new one. The "tug-of-war" between the currency market and the GKO [State treasury bond] market, which has already become traditional, is definitely attactive to investors and the stock market.

The edict opens up new possibilities on the stock market, through the creation of a specific structure — share investment funds, as property complexes without the formation of a legal person. The actual property of the fund is put in trust to the controlling company, which also conducts the fund operations.

The numerous comments, based on the principle of the traditional "approvals," are, in our opinion, somewhat premature. The proposed structure is already causing too many problems.

The Civil Code (Part 1, Art. 48) which has gone into force defines a legal person as an organization which has separate property and an independent balance sheet. Share investment funds fully fall under these criteria. As we know, the code was based on the permissive principle. By definition, any norm which contradicts it will be recognized as invalid in court or arbitration. Creating the structure described means to proceed immediately to numerous and obvious violations of the legislation.

Contradictions connected with taxation have also arisen. The opinion is already being heard that, if the share funds are not a legal person, then they are exempt from profits tax. The tax service may disagree with this, but there is no certainty of it. A great deal here depends on the interpretation of the concept "a property complex is not a legal person" in courts and arbitration.

The problem of the rights of the investors is solved in a very original way. They are not stockholders and not shareholders, only investors. This formulation immediately gets round all the President's edicts on protecting the rights of stockholders. It would appear, however, that this appeared insufficient to the developers of this document, and they secured the complete lack of rights of the investor right in the text of the Edict (Art. 11).

The investors are consoled by the fact that the controlling company must buy back from them shares of the investment fund either in the course of 15 days (for open funds) or do this no less often than once a year (for interval funds). In the opinion of D. Vasilyev, director of the Executive Board of the Federal Commission on Securities and the Stock Market (FKTsB), this guarantees complete liquidity of the shares. If you consider the fact that the Edict directly urges check investment funds toward conversion into share funds, then where are the guarantees that ChIF [check investment fund] stockholders who have nothing there, but have now become PIF [share investment fund] investors, will not rush in throngs to turn in their shares, demanding the share of property due to them? Especially since the absence of "interest and dividends" on the shares is secured in the Edict.

So the ChIF has turned into the PIF, and the ChIF funds have been invested in the PIF property complex and the ChIF Board of Directors has smoothly changed to the seats of the board of directors of the controlling company. Naturally, it is only a cover, a dummy — it has no place to get actual funds. It is the controlling company, however, which "bears the responsibility, through its own property, for losses incurred by the investors" (Art. 11). If one takes into consideration the fact that the "property complex" of the ChIF's is represented mainly by the shares of enterprises and therefore has in itself little liquidity, D. Vasilyev's statement about the absolute liquidity of PIF stocks looks unconvincing.

According to the opinion of the FKTsB being circulated, the PIF's should operate on the market of the free monetary funds of the people. This procedure is very labor-intensive, however. Today it is accessible, perhaps, only to Sberbank, now the most dynamic and stable bank in Russia (according to the data of the International Monetary Fund). All the other commercial banks and non-banking financial structures handling the deposits of the people could get no more than 12-15 percent of the market from Sberbank. The latter, particularly after the recent experiments in breaking it up into regional satrapy of "young banking tigers," is not all that disposed to "opening their windows" for any competitors (including PIF's). So this experiment does not bear out D. Vasilyev's optimism.

Then just what is really the sense of the undertaking with the share funds?

We now have to correlate a few outwardly uncoordinated events and trends. In the middle of last year, having completed voucher privatization, marked by an outburst of non-payments and as a consequence — mass creation of "financial kulaks" for monetary privatization — which did not happen. In this situation, the "financial kulaks," finding no real application in Russia, quickly began to exchange the ruble envelope for the dollar envelope. The peak of the ruble's "autumn molting" was "black Tuesday." This process continued up to January of this year.

Here, however, the first signs of the expected monetary privatization appeared — and the "Russian dollars" that had been saved up, including those saved up in the preceding years, were already beginning to come back to Russia in February-March. In April-July, this process took on the nature of a panic demand for dollars. The Central Bank of Russia bought up 10-12 billion in currency, at the same time emitting no less than R40 trillion. The GKI [State Property Committee] had a commodity mass, at face value, worth R9 trillion in the form of state shares of the stocks of the privatized enterprises. But monetary privatization was postponed (for reasons that were not quite clear) from month to month. In spring they talked about May, and on 1 August, in a television feature, S. Belyaev, GKI chairman, was saying September. The reasons for this delay are completely incomprehensible: an inventory was taken, lists of enterprises with state shares of the stocks were published and the normative base was ready as far back as February-March. Why the delay?

In the course of these events, there was a brilliant flare-up of a banking consortium initiative to transfer state shares of the stocks to it in trust, in exchange for offering the government multi-trillions in credit. This initiative quickly lost its luster, and ultimately died out, mainly through the concern of the GKI, which was clearly in no hurry to give up the "state pie."

At the very moment when the "financial kulaks," standing at the starting line in expectation of monetary privatization, had already lost all patience, the gates of the PIF were opened, but the "state pie" of the state shares of the stocks remained tightly sealed. Instead of a roasted lamb, bean soup was offered. Incidentally, even the small, trial tradings in state shares of the stocks, the prices at which were 5-10 percent higher than the exchange prices, indicate the level of starting readiness of the large investors.

The whole idea now becomes clear. Reorganize the ChIF into the PIF —they had long been ready for this, since they had been pushing the Edict for almost six months (and you do not create new PIF's in an equal space, without good interaction with the FKTsB). Flog a real investment demand for shares of reorganized funds, if not all, at least as much as possible. The PIF, as new owners of investment resources, are already allowed into "the state's granary," to the sale of state shares of the stocks of privatized enterprises.

Perhaps it is not a bad idea. It succeeds in closing up a lot of gaps at the same time. Support the old ChIF's in a new form, including support through infusions of their liquidity. Even if by the end of the year, monetary privatization will be carried out. Even if with a delay, the state budget will be replenished. All this might be nothing. The only thing is, will the owners, tired of waiting, agree with this scenario of "financial kulaks"?

After all, there is another way out at their disposal. The resources gathered for monetary privatization have not been dispersed, they are not being "laundered," they are not lying heavy on the consumer market. They are lying peacefully in deposit accounts at a very good interest, which, converted to currency, is over 100 percent annually. The most impatient ones, who came to Russia in April-May, have already accrued the good fat of ruble interests.

We have no certainty that the "financial kulaks" like the painted gates of the PIF's. Everything is too uncertain, too vague. They have only two ways out left to them: either "wait to the last minute," or, as the deposit deadline approaches (GKO — as a variant), once again, just as last year, exchange the envelope with the ruble for "the green ones." On the free international market, no one will point out the path — you walk where you want to.

The last variant means quite strong financial destabilization for Russia. The Central Bank of Russia, with a discarding of rubles, will immediately take the dollar exchange rate to the top mark of the "corridor," and if it is very pressed, it can abolish the "corridor." There will be no real replenishing of the budget, since the urgent sale of state shares of the stocks, when the "ruble awning" vanishes, will yield no high prices. As a result — a rise in inflation to the "customary" 10-12 percent a month. The Central Bank of Russia will "eat up" the accumulated currency reserves to support the ruble rate of exchange. The economy will be deprived of real investments. The Central Bank of Russia has been piling up tens of trillions in non-cash transfers, which it had itself been emitting for six months before this scenario, and with which, if this scenario happens in practice, it will be forced to extend credit to the budget deficit.

This is only a prediction, though, a scenario. The near future will show how events will develop in practice. The probability of this scenario, however, as the GKI persists in drawing out monetary privatization in the hope that its ChIF's and PIF's will turn to gold, will increase with each passing day.

*Critical Nonpayment in Oil, Gas Sector Production Noted

954E1257A Moscow DELOVOY MIR in Russian 7-13 Aug 95 No 30, p 25

[Article by Aleksandr Romanikhin, director of Soyuzneftemash: "We All Owe One Another"]

[FBIS Translated Text] A major role in declining production is played by the nonpayment crisis in Russia's economy. By some estimates, industrial sector earnings that are frozen in nonpayments add up to 2 percent of gross domestic product. Overdue indebtedness of industrial enterprises runs as high as 35 to 40 percent of aggregate liabilities. The biggest percentage of overdue payments comprises debts to suppliers and adds up to 70 percent of industrial enterprises' accounts payable.

Amounts of nonpayments are especially high in the oil and gas complex. Hence, almost all Russian enterprises producing goods for the oil and gas sector are going through hard times. In 1991-1993, the reorientation toward the production of equipment for the oil and gas complex led to an improved financial condition of machine building plants; now, however, because oil and gas complex enterprises lack financial resources in their accounts, a clear sales crisis has emerged.

The production of drilling rigs has declined to a third at Uralmash and the Volgograd Drilling Equipment Plant. All of Russia's drill bit plants, the Ishimbay Machinery Plant, and many other enterprises of the subsector are in critical shape.

The situation is even worse in defense complex enterprises. As part of the conversion program, and at considerable expense to reprofile production, plants of the military-industrial complex started to produce high-quality oil and gas equipment. Right now, due to clients' lack of funds, these products are not in demand.

The main creditors of the oil and gas machine building plants are metallurgy, electrical power, and railroad enterprises. In turn, the YeES Rossii RAO owes huge sums to GAZPROM. The metallurgists owe YeES Rossii RAO and, indirectly, also GAZPROM. Mutual offsets can solve the problem, but it's not easy to transact them. Let's look at one possible way.

Let's say Yamburggazdobycha PO needs 10 units for the repair of A-50M wells. St. Petersburg's Mashzavod AO makes these units. One rig costs 300 million rubles; the whole batch costs three billion rubles. Yamburg sells its gas to Tyumentransgaz, which owes the association considerable sums. And so, Yamburggazdobycha offsets the debt of three billion rubles to Tyumentransgaz, which sells gas (and accordingly "forgives the debt" by three billion rubles) to Severgazprom. Severgazprom transacts a mutual offset with Lentransgaz, which, in turn, sorts things out with the regional department of YeES Rossii-Lenenergo.

The plant owes Lenenergo directly. In principle it agrees to pay its electricity debt with A-50M units, but, as a rule, it raises their price. Hence, the plant sells a unit at 300 million rubles each for cash but tries to pay debts at the rate of 350 million rubles. The power people object that the plant's electricity bill is long overdue and ought to be indexed. This all leads to complicated processes of harmonizing equipment prices; it's not always successful. Still, the gas industry structures, closely linked to associations, are capable of eliminating complexities over the whole chain. One such organization is the Rossiyskiy Gaz exchange, created by GAZPROM RAO. Similar deals are being organized by the RUS-GAZ trading house, which represents the interests of several gas producing associations in Moscow. GAZPROM's centralized supply structure—Gazkomplektimpeks PKP—has been given substantial benefits by GAZPROM to transact mutual offsets. GAZPROM has recommended that all gas producing associations transact offsets through this firm. Because of the firm's excessive bureaucratization, however, and lack of flexibility, more mobile structures have mostly been bypassing Gazkomplektimpeks.

The machine builders have a different kind of offset with the oil people. The main debtors of the oil producing associations are the oil refineries. The refineries' debts make up about 90 percent of the all the associations' debts. Hence, the oil producers are offering petroleum products in exchange for equipment. But the refineries are not much inclined to exchange products for debts, and therefore the representatives of the oil producing associations come into difficulties in the process of shipping petroleum products and harmonizing transfer prices.

In general, a paradox has developed. The oil people, having pumped oil to the refineries in early 1994, are repaid in petroleum products, with enormous problems with respect to 1995 prices. The only solution is to effect a counter overstatement of transfer prices for oil field equipment by the manufacturing plant or commercial structure providing such transactions. This will make it possible to sell petroleum products at market prices.

Despite numerous problems, there are structures successfully transacting mutual offsets with the oil people for equipment—consider, for example, such firms as Naftasib, Yukos-servis, Interneft, and a number of other companies. But additional difficulties come about because there are so many enterprises making oil and gas equipment. They are scattered all over Russia and belong to a variety of departments. In addition, the volume of deliveries of one individual plant is rather small. These circumstances make it very hard to transact barter and mutual offsets. Things are made worse by the departmental and territorial isolation of the plants. One solution would be a structure able to represent the interests of a large group of enterprises to the oil and gas complex, as is the case in other sectors. What is needed is a sectorial association of producers of oil and gas equipment to protect the interests of manufacturing plants included in the system of RF Ministry of Fuel and Energy, Goskomobronpom, and Roskommash.

Getting out of the nonpayment crisis is much easier for enterprises which are part of financial-industrial groups (FPG). Hence, it is useful to speed up the process of creating such groups to unite oil and gas equipment manufacturing plants.

*Russia's Deficit of Natural Resources Detailed

954R3094B Moscow SEGODNYA in Russian 8 Aug 95 p 10

[Article by A. Baranovskiy: "Russia Experiencing Shortage of Mineral Resources"]

[FBIS Translated Text] **Many Deposits Are Now in the Near Abroad**

A press conference was held yesterday by Vladimir Mazur, deputy chairman of Roskomnedr [State Committee of the Russian Federation for Geology and the Use of Mineral Resources], devoted to the opening of Geologorazvedka-95 Exhibition. The underlying theme of the appearance by Mr. Mazur was the shortage of natural resources which Russia is now beginning to experience. In many regards that is associated with disintegration of the USSR. There is now a shortage of uranium ore (there is only one deposit), bauxite, manganese, and chromite ore. It is true that a recent discovery of reserves of chromite ore in the north of Tyumen Oblast will eventually make it possible to diminish dependence on Kazakhstan for it.

The market pricing of mineral raw materials decreased economically profitable reserves of all deposits by about 30-70 percent and devalued the vast investments in operations connected with extensive prospecting for them. It is lamentable that the share of gold ore and by-product gold (gold obtained in the smelting of complex ore) in the total volume of gold production is showing a decrease. In 1993 for instance, 70 percent of the total volume of production was made up of placer gold and 15 percent gold ore and by-product gold. In 1994 placers accounted for 91.2 percent of the total produced in Russia. In the long term the exhaustion of placers may lead to a sharp drop in Russian gold production.

In the opinion of Mr. Mazur the question concerning development of one of the largest gold deposits in the world at Sukhoy Log, has been under discussion for around 10 years during which it could have yielded from 70 to 100 tonnes of the metal.

Numerous nonferrous metal deposits are now also in the near abroad. Only 23.5 percent of the needs of Russia for zinc, for instance, are satisfied by domestic sources, even though in this case the determining factor is not the reserves but the inadequate capacities of ore mining and smelting enterprises. The situation with regard to copper over the next five years is not a concern. After then, however, the Norilsk Combine, for example, will be shifting to the extraction of complex ore with a low copper content.

Mr. Mazur's press conference coincided with a conference held by Mr. Orlov, chairman of Roskomnedr, with the heads of geological services of CIS countries. The disintegration of the USSR had severe consequence for the geological school. That pertains to the scientific basis of prospecting and exploration as well as formation of unified networks of data and geological prospecting equipment. Nevertheless each republic is developing its own program of operations. Ukraine, for instance, has worked out a program for doubling the reserves of oil and gas, and 10 gold deposits are being explored.

*Duma Deputies' Failure To Adopt Land Code Discussed

954E1240A Moscow KRESTYANSKAYA ROSSIYA in Russian 26 Jun 95 No 24, -02 Jun 95 p 1

[Article by Kirill Kallinikov: "State Duma Again Fails To Pass Land Code — And Is Unlikely To Pass One in the Foreseeable Future"]

[FBIS Translated Text] Last week the Duma once again rejected a draft Land Code. The previous time, in March of this year, the draft law was rejected because of disagreements over private land ownership. The communists and some Agrarian Party members voted against the draft at that time because it would have permitted the sale (though to a limited extent) of land belonging to agricultural organizations and private farmers. For its part, Russia's Choice demanded that all restrictions be lifted on the sale of any land, including land shares. Other factions, namely the LDPR and Yabloko, abstained from voting altogether.

On 14 June 105 deputies voted against the draft law again.

This group included quite a few communists, who insist that the concept of private land ownership be removed from the draft law altogether. This was the comment on their position made by Valentin Kornilov, an aide to State Duma deputy Mikhail Lapshin: "The communists are focusing on an idea alone, without taking present-day realities into account. Today millions of people possess documents affirming their right to own land, and taking that land away from them would be the same as declaring a civil war." That may explain why 178 deputies voted in favor of the draft.

Besides the communists, the draft was also opposed by the Russia's Choice and LDPR factions. However, the new pro-presidential Stability faction voted unanimously to add this draft to the legal code.

Two days later, on 16 June, the State Duma resumed its discussion of the Land Code. This time three amendments were offered: land ownership in cities and the sale of land belonging to kolkhozes and private farmers would be regulated by special legislation, and the words "land and real property" were removed from the entire code.

As a result of these changes the number of votes cast in favor of the draft increased to 210, mainly due to support from the LDPR faction.

Thus the code fell only 16 votes short of passage. On 21 June the Duma will consider the draft code once again. If it does not pass that time, debate on it will be rescheduled for after the parliamentary elections, and that means that our country will have to get by without land legislation for at least another year-and-a-half.

Members of the Agrarian Party faction in the State Duma who have been working on the draft law seem to have lost their optimism already.

"There is some concern that this Duma will not adopt a Land Code," said Valentin Kornilov. "It would clearly be more appropriate to come back to this issue after the parliamentary elections." In all probability the Agrarian Party links its hopes for progress on the "agricultural constitution," as they refer to the Land Code, with winning a majority of seats in parliament.

*Land Ownership, Support for Peasant Enterprises Discussed

Bashmachnikov at Krasnodar Kray AKKOR Council

954E1295A Moscow KRESTYANSKAYA ROSSIYA in Russian 14-20 Aug 95 No 31, p 2

[Article by Yevgeniy Galkin: "Land—For Ownership"]

[FBIS Translated Text] The AKKOR [Association of Peasant Farm and Agricultural Cooperatives] Kray Council was held in Krasnodar, at which problems of farmers were discussed. It is being demanded that these problems be solved at the state level, and that is why they invited AKKOR President V. Bashmachnikov to the council meeting. The 20,000 independent farmers of Krasnodar Kray are worried most of all by the question of land, since they hold their land plots not in ownership, but under lease, and for many of them the 5-year term is expiring.

The lack of confidence in tomorrow leads to the fact that some farmers, in violation of the technological cycles, are, for example, planting sunflowers on the same field year after year, thus depleting the soil. Yet those who really care about the fertility of the plentiful Kuban land are truly worried. They spoke at the Council meeting of the need for expanding commodity credits and leasing not only for equipment and seeds, but also for fertilizers. There are predictions that next year will not be a year of draught, and that a good harvest may be expected. Therefore, according to all the rules, they must sow the winter crops now, of which the Krasnodar farmers are reminding the government.

The problems of the inter-farm cooperatives were also discussed at the Council. Through the efforts of enterprising owners, in some rayons they have put an end to state monopolism, which strived to take over the goods producers. Thus, in the stanitsa [village] of Kushchevskiy, next to the grain elevator of the AO [joint-stock company] "Roskhleboproduct," farmers have build their own elevator which, we might add, is also being used by the members of the collective farms, since the price for storing the grain suits them.

Bashmachnikov at 12 Aug 'Nash Dom—Rossiya' Congress

954E1295B Moscow KRESTYANSKAYA ROSSIYA in Russian 21-27 Aug 95 No 32, p 2

[Article by Yevgeniy Galkin: "The Stake is Placed on Skill and Risk"]

[FBIS Translated Text] On 12 Aug, the initial part of the congress of the All-Russian socio-political movement, "Russia is Our Home," was held in Moscow. The draft of the program which will be ratified at the concluding stage of the congress in September was discussed. The primary developer of the program, Chairman of the "Union of Landowners of Russia" Vladimir Bashmachnikov, spoke out with a presentation of the agrarian part of the program.

"In the 'Russia is Our Home' movement, we were attracted by the fact that the ideology of gradual, economically sensible reforms was taken as the cornerstone," says Bashmachnikov. The principle, "What is good for the peasantry is good for the country," has often been confirmed over the centuries. And in such a huge country as Russia, multi-structure and variation of the rural economy is quite natural. However, we must face the facts and encourage in every way possible those who, by taking a risk, are achieving outstanding results. The statistics, no matter how we try to keep quiet about them, are inexorable: Last year, over half of the country's food fund was produced by private owners of personal subsidiary farms, individual farmers, members of small agricultural cooperatives, and orchard and garden tenders. In order for small and medium-sized entrepreneurship on the farm to be strengthened, it is necessary to legitimize private ownership of land, its sale, use as security deposit, giving as a gift, and leasing. This will be done, and the diligent owner will be able to ensure a sufficiently high living standard for his household. The state will not take on such important problems of the rural areas as road construction, electricity and gas supply and telephone service. Both owners and workers—that is how we see the Russian peasants of tomorrow."

Tax Breaks for Peasant Farms

954E1295C Moscow KRESTYANSKAYA ROSSIYA in Russian 21-27 Aug 95 No 32, p 2

[Article by Yevgeniy Galkin: "Benefits for Peasants"]

[FBIS Translated Text] Even last year, considering the distressing situation of the farmers, in many regions they were exempted from payment of local taxes. In places where prudent people work in the administration, things went without a hitch, at initiative from above. Such a situation was created, for example, in Ulyanovsk Oblast, whose administration was the first to venture to meet the peasants halfway. However, it did not go without conflicts: In Lipetsk Oblast, seeking exemption from taxes, farmers picketed the administration building.

The situation in Podmoskovye also finally moved off of a standstill. The initiative was exhibited in Ramenskiy Rayon: According to the decree by Head of Administration of Moscow Oblast A. Tyazhlov, "On Supplemental Measures for Support of Peasant (Individual) Farms," independent owners were exempted from taxes for maintenance of the housing fund, the social-cultural sphere, patrol-guard service and municipal improvements. In view of the current shortage of material funds, the money will come in very handy for the farmers in improving their farms.

Chief Legal Consultant Discusses Peasant Farm Status

954E1295D Moscow KRESTYANSKAYA ROSSIYA in Russian 14-20 Aug 95 No 31, p 4

[Article by Lev Aslanov, chief legal consultant, RF Minselkhozprod [Russian Federation Ministry of Agricultural Production], Legal Affairs Administration: "Farmers Have Been Left 'Without a Face'"]

[FBIS Translated Text] *The Civil Code of the Russian Federation (point 2 of Article 23) states that the head of a peasant farm attains the status of entrepreneur after registration of the farm. The question arises: What is the* *procedure for registration of new peasant farms? After all, as it follows from the principles in Chapter IV of the CC [Civil Code], they may not be legal entities. And also: Within what period of time should existing peasant farms re-register?* ...**A. KALYABIN, deputy head of administration of Vologda Oblast, chairman of the Committee on Agriculture and Food.**

The list of legal entities indicated in part one of the new Civil Code of the Russian Federation does not specify peasant farms, although they possess all the indicators of a legal entity. In connection with this, the plenum of the RF [Russian Federation] Supreme Court and the plenum of the RF Arbitration Court, in a joint decree of 28 February 1995, No 2/1 (point 9), explained that the peasant (individual) farm is not a legal entity. At the same time, the head of a peasant (individual) farm performing activity without formation of a legal entity is recognized as an entrepreneur from the moment of state registration of the peasant (individual) farm (point 2, Article 23 of the RF Civil Code). Consequently, the rules of this code which regulate the activity of legal entities who are commercial organizations apply to his entrepreneurial activity, unless otherwise resulting from law, other legal statutes, or the essence of legal relations. Therefore, disputes in which a head of a peasant (individual) farm is involved fall under the jurisdiction of the arbitration courts.

According to Article 8 of the Russian Federation Federal Law, "On implementation of Part One of the Civil Code of the Russian Federation," dated 30 November 1994, No 52-FZ, up until the implementation of the law on registration of legal entities, the procedure of their registration which is currently in effect shall be applied. In other words, it must be performed in accordance with the Statute on the Procedure for State Registration of Subjects of Entrepreneurial Activity, ratified by the Edict of the RF President dated 8 July 1994, No 1482 (section II, "Registration of Entrepreneur," points 6-9).

For state registration, the entrepreneur-head of the peasant (individual) farm must submit: An application of the established form; a document certifying payment of the registration fee. The documents may be sent by registered mail.

The answer to the second question is as follows. An analysis of Article 6 of the indicated federal law and point 2, Article 23 of the Civil Code allows us to conclude that operating peasant (individual) farms which were previously registered as legal entities, in connection with the change in their legal status, must be registered as peasant (individual) farms operating without the formation of a legal entity. Such registration must be performed prior to 1 July 1999.

Economic Issues

Criticism of National Bank Move Refuted

954K0672A Kiev URYADOVYY KURYER in Ukrainian 10 Aug 95 p 5

[Commentary by V. M. Kravets, deputy chairman of the Governing Board of the National Bank of Ukraine: "The Expansion of Russian Banks Poses No Danger to Ukrainian Banks. The NBU Is Not Allowing Any 'Whales' of the Russian Financial System into Ukraine, But Someone Wants To Catch Some Fish in Murky Waters"]

[FBIS Translated Text] **The report that some Russian banks have joined in the electronic payment system (PES) of the National Bank of Ukraine [NBU] has provoked a negative reaction in the press. The main conclusion is that, on the whole, this is poses a danger for Ukraine's financial system. Is this really the case? Dmytro Rikberh, chief of the NBU's press service, put this question to V. M. Kravets, the deputy chairman of the Governing Board of the NBU.**

The electronic payment system of Ukraine, he reported, like the payment systems of other countries, is constantly being improved; different ways of improving it and increasing its efficiency are being found. At the same time, commercial banks are also developing payment systems, in particular, the Ukrayina Bank, the Prominvestbank, and Hradobank. Recently, the young Knyazhyy Bank offered its own electronic payment system. Each of these systems has its own distinct features and does not duplicate any other system. This is a genuine accomplishment by banking experts, who want to solve problems that are of importance to them: concentrating resources, improving their ability to control the work of branches, ensuring the necessary speed and quality of their own clearing operations, etc.

The National Bank of Ukraine, like the commercial banks, which have their own settlement systems, is working out further improvements in the payment system. One of the most important tasks that our experts faced is the need to create a multicurrency system. At present, the funds of our clients — business entities — are in hundreds of loro-accounts in banks of the near abroad (mostly in Russia), or, if these funds are in the form of freely convertible currency, in the countries of the far abroad. This includes both decentralized currency and hard currency which we are constantly short of to settle accounts. That is why the NBU is developing a mechanism to ensure the maximum concentration of funds in a minimum umber of accounts in order to allow them to be used effectively.

Inasmuch as Ukrainian business entities are in partnership elations with foreign entities, there is a need for organizing an efficient means of settling accounts with them. It is no secret to anyone that by now hundreds of accounts have been opened at our commercial banks, as well as at foreign banks, to hold the karbovantsi of business entities who are nonresidents, that is, entities that are located outside Ukraine. We will not attempt to hide the fact that the amount of these funds is included in calculating monetary indicators and is of some interest to us. In order to control the use of this supply of karbovantsi, we need to know how much money there is, which banks are holding it, and who is in charge of this money.

If these funds are deposited in loro-accounts at commercial banks, they cannot be controlled by the NBU, which is why they are used in certain specific ways (for speculative banking operations). No one denies that playing on settlements in hard currency is a source of revenues for commercial banks. But looking at this problem from a different point of view, we might well ask ourselves: what is more important for us at this time — earning an income, including from services provided to nonresident banks in Ukraine, or having reliable means of regulating and managing the money supply that is in circulation here. For the time being, it is difficult to answer this question: the NBU cannot consider the economic, legal, technological, and technical aspects of this problem independently of one another. They are all closely interconnected, and only by taking into account the effect of the role of each of these aspects will we obtain the desired results.

If that is the case, why is the reaction to these issues so negative, and why is the NBU being accused of intending to harm the nterests of Ukrainian commercial banks, leaving them to face powerful Russian banks on their own? This charge is completely unfounded: no decision was taken to open branches of Russian banks in Ukraine. As far as including some Russian banks in our electronic payment system is concerned, which is what is attracting nonresident banks with its possibilities of rapidly and reliably ensuring payments, it is the NBU's right to do so. It should be stressed that these banks will not be direct members of the electronic payment system. At best, nonresident banks will have loro-accounts at the Interstate Settlement Center (TsMR), if they do not have such accounts at commercial banks. It is simply a matter of commercial banks being afraid of losing a portion of their karbovantsi resources, inasmuch as deposits in loro-accounts are credit resources and a portion of them will be transferred to the TsMR. And primarily, they will lose the source of that portion of their revenues that derives from speculative operations in the buying and selling of hard currency. When accounts are opened at the NBU, we are talking about correspondent accounts in the national currency. The NBU thus places national currency, its karbovantsi loro-accounts, under its control, because the NBU can then see the movement in these accounts, something which, incidentally, it cannot see when the money is in loro-accounts at commercial banks.

The optimum solution to the question of opening loro-accounts for commercial banks has not yet been found, and it is possible to make various changes both with respect to the activity of commercial banks and with respect to relations between central banks, in particular, the Central Bank of the Russian Federation and the NBU. This massive attack on the NBU is not the first of its kind. In particular, we saw this when the electronic payment system was being introduced, and individual directors of commercial banks did not want to join in the new payment system; they were satisfied with the old system of payments, under which funds were held up for long periods of time, great confusion raged, and it was possible to catch some fish in murky waters, as the saying goes.

I believe that, apart from lobbying for the interests of certain commercial banks, the articles that appeared have as their goal to undermine the policy of the NBU with respect to the stabilization of the banking system. The issues broached in the articles, even though they really do touch upon the interests of commercial banks, do not contain elements that would prevent them from being solved.

The uproar that because Russian banks have made their way into the payment system, the NBU is assisting in the transfer of national capital to Russia does not hold up to criticism. This is not true. Ukraine's capital remains and it is working only within the borders of Ukraine. Karbovantsi remain within the sphere of our payment system, and they cannot move outside the borders of Ukraine. If some portion of them flows to another country through some other currency, this is a problem of controls, and these processes lie outside the payment system and are controlled by other means. There is no foundation for the charge that including Russian banks in the electronic payment system is a way of supporting the State Settlement Center [as published], which is experiencing not the best of times. Yet, as we have seen, it is precisely the Center's ability to settle accounts quickly and efficiently that attracted the attention of nonresident banks. The mass media have seen on more than one occasion the technical and intellectual potential of the Center and what tasks it performs.

* * *

On 2 August 1995, a working meeting on improving the electronic payment system was held at the National Bank of Ukraine, attended by personnel from the NBU, the Association of Ukrainian Banks, and a number of Ukraine's commercial banks. Once again, the NBU confirmed that the correspondent account at the TsMR for the Tveruniversalbank was created strictly for technical purposes: it will be used for adapting the introduced program product. In discussing the question of introducing a multicurrency payment system into industrial use, NBU employees assured commercial banks that they would continue consulting with them on this matter.

Reason for Hidden Unemployment Seen

954K0670B Lvov POST-POSTUP in Ukrainian 2-16 Aug 95 No 26, p 6

[Article by Yuliya Postoyuk: "The Reason for Hidden Unemployment Lies in the Psychology of the Population"]

[FBIS Translated Text] *Most people are used to having others think for them. They expect daddy to come and give them the moon from the sky.*

(R. Heinline)

According to a survey of 56 Lviv enterprises conducted by the Lviv City Employment Center during the second quarter of 1995, 20 percent (or 16,529) of the total number of employees (82,827) were on forced unpaid leave. The highest levels of hidden unemployment were recorded at the following enterprises (in percentages): Polonyna ATVT — 96.1, Plastmasfurnitura ATZT — 91, the milling machine plant — 88.1, Lvivmiskbud PBO — 84.4, Promin Knitting Company ZAT — 82.4, Dynamo factory of sewn sports products — 75.7, Halka ZAT — 69.1. The majority of Lviv enterprises were not included in this survey (there are nearly 2,000 of them), including the Kineskop Production Association — the only manufacturer of picture tubes in Ukraine.

The total number of employees at Kineskop is almost 9,000 persons. Since 11 May, the absolute majority of them have been on unpaid leave. The only people who come to work are those who look after the plant structure: one day a week — someone from the personnel department, etc. Throughout 1994, the plant worked intermittently — two months of downtime followed by one or two weeks of work. For the period of downtime, employees received some monetary compensation from the sale of finished products — two-thirds of their wages. These payments ceased as of April of this year — the warehouses have been emptied. The people joke that it was finally possible to put a stop to pilferage at the plant, because there is nothing left to steal. Production volum is no longer falling, because it has reached zero. For nine months, the Kineskop plant has been waiting for preferential credit from the government to enable it to buy raw materials and start up production. Over this period of time, the amount of the loan needed by the Production Association has grown from 700 billion to several trillion karbovantsi. According to the general director's order, Kineskop will remain idle until 18 September. If the loan atually comes through and the plant resumes production, the management plans to cut personnel to nearly half the original number. Although they know about the prospect of cutbacks and do not receive any wages from the enterprise, employees are nonetheless in no hurry to leave on their own initiative.

Naturally, people are looking for ways to earn some money. Earnings at temporary jobs are often higher than at permanent jobs. Nonetheless, they do not want to leave state-owned enterprises. People, who should have abandoned all hope that the state will "not insult" them, will not deceive them, like any individual, inevitably greedy businessman might deceive them, continue to believe in the dependability and stability of state enterprises. This trust was inculcated during Soviet times, and it is difficult to uproot it, because people are conservative by nature. At a subconscious level, they remain certain that everything will return to what it was before: the plants will operate, the waiting list for apartments will move slowly along, pensions and wages will add up, making it possible to live decently, everyone will work at some job (it is not important whether this work is needed or not), and no one will need to be responsible or concerned about his or her fate — all these are the state's prerogatives.

..."Daddy will come and give [them] the moon from the sky."

*Compensation Vouchers Seen Giving Russian Firms Access

954F3065A Moscow KOMMERSANT DAILY in Russian 26 Jul 95 p 3

[Article by V. Zubanyuk: "Access to Ukraine Facilitated for Russian Investors"]

[FBIS Translated Text] **On 1 August Kiev intends to issue the first 15 million compensation vouchers to the population. These vouchers will be backed by 30 percent of the shares of privatized enterprises. By contrast with privatization vouchers, compensation vouchers are not registered and will be in free circulation. That will not only create a new securities market but will also permit Russian enterprises and banks to significantly expand their presence in the Ukrainian economy, primarily in branches of the fuel and energy complex.**

As reported yesterday at a press conference by Aleskandr Bondar, deputy chairman of the State Property Fund, compensation vouchers were to have been issued a few months earlier, but their issuance was delayed for technical reasons: the Ukraina securities plant of the Ministry of Finance of the republic found itself unable to assimilate their production by the established deadlines. Compensation vouchers will be issued by branches of the Savings Bank of Ukraine to citizens who had deposits in that bank on 1 January 1992. The total amount of such deposits comes to 116.1 billion karbovantsy as indicated by Savings Bank data. According to Bondar, the issuance of compensation vouchers will occur in compliance with the edict of Ukraine President Leonid Kuchma, on compensation of citizens of Ukraine for losses resulting from devaluation of monetary savings in establishments of the Savings Banks of Ukraine and Ukrgosstrakh [Main Administration of State Insurance of Ukraine].

All savings deposits as well as amounts based on long-term insurance agreements on 1 January 1992 must be indexed for 1992-1993 by a factor of 2,200. In accordance with the edict, during 1995 it is planned to place around 300 million compensation vouchers in circulation for distribution among depositors proportionally to the amount of monetary funds in the accounts. The face value of the vouchers was set at 1 and 2 million karbovantsy. It is anticipated that not more than 298.9 trillion karbovantsy worth of vouchers will be issued.

According to Bondar these securities will be well protected. In essence they will play the same role as that performed at one time by the Russian vouchers. They will not be registered, and it will be possible for both physical and legal bodies to freely buy and sell them, including foreign investors, even bypassing financial intermediaries. The acquisition and accumulation of privatization property vouchers, which are currently in circulation, requires the procurement of a license, whereas in the case of compensation vouchers that is not required.

As Bondar declared, a significant portion of the shares of privatized enterprises will be used to back the compensation vouchers. The Ukrainian president's decree directly indicates that 30 percent of the shares of each enterprise being privatized must be sold only for compensation vouchers. Bondar thinks that the issuance of vouchers will make it possible to increase the different means of payment in privatization and, in addition to that, also create greater stimulus to foreign investments. At the present time the Fund of State Property of Ukraine is working out a mechanism for trading in blocks of compensation vouchers on the stock exchange.

As surprising as that may appear, the minimum sum which may be obtained by holders of deposits as compensation is 1 million karbovantsy; that is, a person who on 1 January 1992, for instance, had 20 rubles in his account can receive a voucher for 1 million karbovantsy. At the same time there is no maximum limit.

The appearance of a new securities market in Ukraine backed with the property of enterprises being privatized not only provides a possibility for Russian entrepreneurs to participate in speculative operations but is also of definite interest to investors. For a long time major Russian enterprises and banks have been attempting to secure pieces of the property owned by Ukrainian enterprises. At the same time interest is manifested not only in such facilities as oil refineries and gas processing plants and terminals, which would be quite natural, but in enterprises of other branches (frequently a purely Russian enterprise wants to purchase some of the shares of a Ukrainian partner with whom it has been linked from Soviet times by a single technological process).

Conditions for investments are also facilitated by the fact that under pressure from the Ministry of Finance, this year Kiev has started to actively privatize the largest government enterprises. Inasmuch as enterprises of the petroleum and gas complex were among them, it is not precluded, for instance, that Gazprom, which has long sought to expand its property in Ukraine, will utilize this opportunity offered by Kiev. It is clear that with an expansion in the presence of Russian banks and enterprises in Ukraine, a real base may develop for the formation of large financial-industrial groups on the territory of the CIS.

*1995 Crimea Budget Law

954F3005A Simferopol KRYMSKIYE IZVESTIYA in Russian 4 Aug 95 pp 1, 3

[Texts of the Crimean Supreme Council decree and the Republic of Crimea law "On the 1995 Republic Budget of Crimea"]

[FBIS Translated Text]

Decree of the Crimean Supreme Council on Putting Into Effect the Law of the Republic of Crimea "On the 1995 Republic Budget of Crimea"

The Crimean Supreme Council **decrees:**

1. That the law of the Republic of Crimea "On the 1995 Republic Budget of Crimea" shall go into effect from the time of its publication, and that its Articles 4, 5, 8, and 13 shall be applied retroactively to relations that have commenced since 1 January 1995.

2. That it concurs with the proposals of the Crimean Supreme Council's permanent commissions to increase budget expenditures on a number of line items in the republic budget in 1995 (attached).

3. It is hereby set forth that financing of additional expenditures

in the amount of 12.814 trillion karbovantsy [K] shall be implemented on condition that the revenue part of the Republic of Crimea 1995 budget is fully executed.

4. The Crimean Ministry of Economics, the Crimean Ministry of Finance, and the Crimean State Property Fund are to present to the Crimean Supreme Council before 1 September 1995 the figures on payments for the use of land occupied by the facilities of the Ukrainian Ministry of Defense and other organs of state authority of Ukraine exempt from land use payments, as well as by the Black Sea Fleet, for the purpose of facilitating the process of clearing reciprocal payments with the state budget of Ukraine in the part of financing the share of national expenses allocated to the Republic of Crimea.

5. The Government of Crimea is hereby asked:

5.1. To repeal points 12.11 and 12.12.1 of the Government of Crimea Decree No. 147, dated 18 May 1995, "On the Draft Budget of the Republic of Crimea for 1995 and Its Execution for 1994."

5.2. To amend point 11.6 of the Government of Crimea Decree No. 147, dated 18 May 1995, "On the Draft Budget of the Republic of Crimea for 1995 and Its Execution for 1994" to read as follows: "The tax on barter operations in the amount of 3 percent of the amount of the product exported through barter does not apply to agricultural products that represent the property of the commodity producer."

5.3. To bring the maximum number of pupils in general education schools (including advanced-track, gymnasium, and lyceum classes), extended day groups, and vocational technical schools, as well as the educational plans of general education schools in the part of dividing classes into groups for the study of national and foreign languages, into conformance with normative acts in effect in Ukraine.

5.4. Taking into account the difficult situation with respect to supply of fuel for the departmental housing stock, to petition the Cabinet of Ministers of Ukraine to allocate money for the aforementioned purpose.

6. The Government of Crimea is to ensure to a full extent the implementation of the Crimean Supreme Council Decree No. 197-1, dated 29 September 1994, "On Some Measures for Solving Social Problems."

7. Electric power rates for the population of rayons and cities that do not have a supply of natural gas and use electric stoves for cooking shall be set at 50 percent of the regular rate (the cities of Kerch and Feodosiya, and Leninskiy Rayon).

8. The ceiling on electric power consumption to which preferential rates are applied shall be increased from 100 to 200 kw a month for Great Patriotic War veterans and persons equated to them in status.

9. The indicators of Crimea's 1995 republic budget may be revised monthly after taking into account its execution.

[Signed] Chairman of the Crimean Supreme Council

Ye. SUPRUNYUK
City of Simferopol
19 July 1995
No. 502-1

Attachment to the Crimean Supreme Council Decree No. 502-1, dated 19 July 1995

Proposals of Crimean Supreme Council Permanent Commissions on Increasing Budget Expenditures on a Number of Line Items of the Republic Budget in 1995

	(in million karbovantsy)
1. Additional expenditures on the maintenance of institutions in the sociocultural sphere, total	12,430,000
Including:	
education	4,700,000
health care	7,600,000
culture	60,000
protection of cultural landmarks	50,000
financing of departmental boiler rooms	20,000
2. Additional expenditures on state capital investment in housing, municipal, and sociocultural construction within the framework of the program of repatriation and settlement of deported citizens	300,000
3. Expenditures of the republic budget of Crimea on subventions to Krasnogvardeyskiy Rayon for the purpose of financing local budget expenses not covered by revenue	84,000

Law of the Republic of Crimea on the Republic of Crimea's 1995 Budget

The Crimean Supreme Council **decrees:**

Article 1. The republic budget of Crimea for 1995 shall be approved in the amount of K33,389,817,800,000 in the revenue part and K42,678,227,200,000 in the expense part, with a budget deficit of K9,288,409,400,000.

Article 2. The republic budget revenue for 1995 shall be set for main categories of revenue in the following amounts (in million karbovantsy):

1. Value-added tax	12,134,011
2. Tax on profit of enterprises and organizations of all forms of ownership	6,794,659.2
3. Excise taxes	1,973,879.6
4. Income tax on individuals withheld by budget institutions and organizations in republic ownership of Crimea and deductions from income tax collections to the budgets of cities and rayons	2,111,811
5. Land-use fees	1,223,053
6. State duties	67,405
7. Revenue from privatization of property of state enterprises and organizations in state ownership	7,900,000
8. Fees, various nontax income, and other revenue	552,870

1. Value-added tax	12,134,011
9. Revenue from dividends	9,589
10. Occupational safety fund	622,540

Article 3. The Republic of Crimea budget expenses for 1995 shall be set as the following line items (in million karbovantsy):

1. Social protection of the population—total	6,663,747
Including:	
1.1. State assistance to families with children	27,049
1.2. Expenses on payment of benefits to war veterans	43,840
1.3. Social security (maintenance of nursing homes for the elderly and disabled)	418,584
1.4. Subsidies to support state regulation of prices and fees—total	6,174,274
Including:	
To the Krymtoplivo association—for coal	877,869
To the Krymteplokommunenergo joint-stock society—for heat	2,168,606
To the Crimean Trolley Bus Administration—for urban electric transportation fares	775,850
To the Krymavtotrans passenger transportation association—for urban motor transportation fares	1,095,624
Natural gas	640,322
Bread for low-income citizens	542,203
To cover losses of housing maintenance entities	73,800
2. Financing of sociocultural institutions and organizations—total	6,893,392
Including:	
2.1. Education	1,947,572
including the payroll fund	365,176.1
2.2 Culture and the mass media	851,573
1. Social protection of the population—total	6,663,747
including the payroll fund	39,709.5
2.3. Health care	3,928,963
including the payroll fund	735,109
2.4. Physical culture (to hold republic-wide sports events)	91,767
including the payroll fund	7,654.3
2.5. Youth programs	73,517
including the payroll fund	5,892
2.6. Additional expenditures on the maintenance of institutions in the sociocultural sphere, total	12,430,000
Including:	
Education	4,700,000
Health care	7,600,000
Culture	60,000
Protection of cultural landmarks	50,000
Financing of departmental boiler rooms	20,000
3. Science (financing of research work in seismology, and the science and technology library of the Center for Scientific-Technical and Experimental Research)	24,297
4. State capital investment in housing, municipal, and sociocultural construction	1,487,000
Including within the framework of the program for repatriation and resettlement of deported citizens	300,000
5. Financing of national economy—total	1,444,055
Including:	
5.1. Agriculture (veterinary network, hail-protection service)	115,662
5.2. Water system (current maintenance of irrigation systems)	1,153,145
5.3. State Committee for Land Resources and Unified Cadaster (to implement the land reform)	9,700

1. Social protection of the population—total	6,663,747
5.4. Housing and municipal services (mud slide prevention and shore reinforcement works, lighting for inter-city trolley bus route)	86,656
5.5. Architecture (restoration of monuments)	3,863
5.6. Road system	23,141
5.7. Other expenses (maintenance of water rescue service, reimbursement for the difference in gasoline prices in connection with pupils' transportation to rural schools, the State Forestry Committee)	51,888
6. Maintenance of organs of legislative and executive authority—total	797,453
Including:	
Legislative authority	164,040
Of that: Crimean Supreme Council staff	61,070
Support for the activities of Crimean Supreme Council deputies	102,970
Executive authority	633,413
Including: Republic of Crimea Presidential Service (January-May)	11,960.7
7. Maintenance of the Central Electoral Commission	1,507
8. Maintenance of civil defense offices and training courses	44,277
9. Maintenance of law enforcement organizations	318,297
10. Animal disease control and fundamental improvement of land	832,000

1. Social protection of the population—total	6,663,747
11. Reimbursing to banks the interest on preferential credits issued for the purpose of financing growth in the production of consumer goods	2.2
12. Financing of territorial state orders	1,240,000
13. The Government of Crimea reserve fund	619,363
14. Other expenses—total	81,283
Including:	
Expenses on mobilization preparedness	3,000
Maintenance of veterans council	502
Representation expenses	2,000
Replenishment of cash on hand	72,200
Fund for conducting the events dedicated to the 50-year anniversary of the Yalta Conference	466
Center for Regional Development	3,115
15. Funds due to be transferred to the state budget of Ukraine for financing common state expenses	9,017,284.4
16. Occupational safety fund	622,540
17. Funds due to be transferred to budgets of individual rayons	161,729.6

Article 4. Norms for deductions from state taxes and fees to the budgets of cities and rayons shall be set for 1995 as follows (in percentages):

Name of city or rayon	Tax on profit* of state-owned** enterprises and organizations	Excise taxes	Value-added tax	Income tax on individuals
Cities				
Simferopol	30	30	22.5	50
Kerch	30	30	48.8	50

Name of city or rayon	Tax on profit* of state-owned** enterprises and organizations	Excise taxes	Value-added tax	Income tax on individuals
Yalta	5	5	10.0	30
Yevpatoriya	30	30	13.2	50
Feodosiya	30	30	19.7	50
Alushta	30	30	14.6	50
Dzhankoy	30	30	78.6	50
Krasnoperekopsk	30	30	31.4	50
Saki	30	30	39.7	50
Sudak	30	30	21.3	50
Armyansk	30	30	86.2	50
Rayons				
Bakhchisarayskiy	50	50	35.4	100
Belogorskiy	50	50	100.0	100
Dzhankoyskiy	50	50	34.9	100
Kirovskiy	100	100	95.4	100
Krasnogvardeyskiy	50	50	60.4	100
Krasnoperekopskiy	50	50	48.8	100
Leninskiy	100	100	100.0	100
Nizhnegorskiy	50	50	42.7	100
Pervomayskiy	50	50	94.5	100
Razdolnenskiy	50	50	47.8	100
Simferopolskiy	100	100	100.0	100
Sakskiy	50	50	43.6	100
Sovetskiy	100	100	100.0	100
Chernomorskiy	100	100	66.3	100

*—Including income from banking and insurance activities

**—Including leased enterprises with foreign participation based on this property and enterprises of foreign legal entities carrying out their activities through permanent representations.

Article 5. Banking institutions are to withhold deductions into the republic budget of Crimea from taxes on profit, value-added tax, excise taxes, and income tax on individuals coming from enterprises and organizations of cities and rayons, in the following amounts (in percentages):

Name of city or rayon	Tax on profit* of state-owned** enterprises and organizations	Excise taxes	Value-added tax	Income tax on individuals
Cities				
Simferopol	70	70	77.5	50
Kerch	70	70	51.2	50
Yalta	95	95	90.0	70
Yevpatoriya	70	70	86.8	50
Feodosiya	70	70	80.3	50
Alushta	70	70	85.4	50
Dzhankoy	70	70	21.4	50
Krasnoperekopsk	70	70	68.6	50
Saki	70	70	60.3	50
Sudak	70	70	78.7	50
Armyansk	70	70	13.8	50
Rayons				
Bakhchisarayskiy	50	50	64.6	
Belogorskiy	50	50	-	
Dzhankoyskiy	50	50	65.1	
Kirovskiy	-	-	4.6	
Krasnogvardeyskiy	50	50	39.6	
Krasnoperekopskiy	50	50	51.2	
Leninskiy	-	-	-	
Nizhnegorskiy	50	50	57.3	
Pervomayskiy	50	50	5.5	
Razdolnenskiy	50	50	52.2	
Simferopolskiy	-	-	-	
Sakskiy	50	50	56.4	
Sovetskiy	-	-	-	
Chernomorskiy	-	-	33.7	

*—Including income from banking and insurance activities

**—Including leased enterprises with foreign participation based on this property and enterprises of foreign legal entities carrying out their activities through permanent representations.

Article 6. It it so directed that 50 percent of the surplus revenue from the excise tax and the value-added tax, and the tax on profit of Ukrainian state-owned enterprises, shall be entered into the budgets of cities and rayons and 50 percent—into the republic budget.

Article 7. The republic budget of Crimea shall include subventions to the budgets of individual rayons and cities in the amount of K161.7296 billion for the purpose of financing local budget expenditures not covered by revenue, including (in million karbovantsy):

Krasnogvardeyskiy	84,000.0
Leninskiy	6,131.2
Simferopolskiy	71,598.4

Article 8. It shall be set forth that 70 percent of land-use fees are to be entered into budgets of cities, and 100 percent—into budgets of rayons.

Article 9. It shall be set forth that additional expenditures in keeping with decisions of local councils of people's deputies of all levels may be implemented only on condition of finding additional financial resources in the corresponding budgets.

Article 10. It shall be set forth that in those instances when subjects of legislative initiative or other organs submit to the Crimean Supreme Council or the Government of Crimea proposals on tax benefits for enterprises and organizations, or allocating additional appropriations from the budget, they are to submit at the same time proposals with respect to a corresponding increase in revenue or reduction of expenses in the republic budget.

Article 12. Budget institutions and organizations are to direct 50 percent of the funds received for precious metals and precious stones they surrender with scrap and waste to the needs of these institutions and organizations, and 50 percent into the corresponding local budget providing financing for this institution or organization.

Article 13. The land-use fees in effect in Crimea in 1994 shall be indexed by a factor of 20 for all payers.

Article 14. It shall be set forth that in 1995 the fees for overlimit use of fresh-water resources shall be entered into budgets of cities and rayons in keeping with procedures envisaged for payments for the use of fresh-water resources within the limit;

mineral-resource use fees shall be entered into the corresponding local budgets at the payer's place of operation.

Article 15. The funds of the Crimean regional state innovation fund of Ukraine, contributed by enterprises and economic entities, shall be included into the revenue and expense parts of the republic budget of Crimea, while at the same time retaining their targeted nature.

Article 16. The Government of Crimea shall implement measures to implement a reduction in force (by 20 to 50 percent) in the staff of the organs of executive authority in Crimea.

Article 17. The funds subject to transfer into the republic budget for the purpose of financing common state expenditures of Ukraine shall be included in the expense part of the budgets of cities in the following amounts:

City	Amount (million karbovantsy)
1. Simferopol	1,180,000
2. Kerch	640,000
3. Yalta	600,000
4. Yevpatoriya	380,000
5. Feodosiya	345,000
6. Alushta	195,000
7. Dzhankoy	110,000
8. Krasnoperekopsk	100,000
9. Saki	90,000
10. Sudak	90,000
11. Armyansk	130,000

The Ministry of Finance of the Republic of Crimea is hereby granted the right to unconditionally recover from city and rayon executive committees the arrears due to the republic budget in the part of financing Ukraine's common state expenditures, as well as on loans issued for the purpose of financing priority expenditures.

[Signed] Chairman of the Crimean Supreme Council

Ye. SUPRUNYUK
City of Simferopol
19 July 1995
No. 501-1

*East Seen Leading in Small Privatization

954K0662A Kiev UKRAYINA MOLODA in Ukrainian 1 Aug 95 p 3

[Article by Maksym Karas: "Pilot Process—A Normal Flight, *Or, the Capital Moves East*"]

[FBIS Translated Text]

"I Proclaim 1995 the Year of Small-Scale Privatization"

(from a speech from the throne by Leonid Kuchma)

Our state risked nothing by launching small-scale privatization. On the contrary, we killed three birds with *one stone. The state system of trade and consumer services, bankrupt in every way, was transferred into strong business hands, the budgets of the cities, regions and oblasts obtained funding and, last but not least, our reputation as a civilized country with a progressive economic structure was enhanced. The middle of the year of the "great turnaround" is at hand, and as State Property Fund Deputy Chairman Oleksandr Bondar told the journalists, "privatization is now off and running, regardless of the gloomy days at the start of the year."*

It would probably be superfluous to try and convince you that it is impossible to live this way any more. The private businessman does not say "no containers" at the bottle recycling center; at the photo salon he does not take your money in advance and give you goodness-knows-what, assuring you that it is you; at the barbershop he does not skin you alive, having to feed himself and another seven officials from the consumer services combine. Small-scale privatization this year and next is at least putting an end to the tug-of-war of the state budget, stifling the wailing of the local administrations and the painful dislodging of funds "upstairs." "Under prevailing legislation, 80 percent of the funds that are received from the sale of state property goes to the local budgets," says Yevhen Hryhorenko, the First Deputy Chairman of the State Property Fund. "And that is reflected in our schools, hospitals, polyclinics and in the pay of the physicians, teachers and the rest of the workers on the budget."

The International Financial Corporation (MFK), which is financed by the American Agency for International Development, has been working with the State Property Fund [FDM] in Ukraine for three years now. The experience that has been gained here by the Western experts and consultants is truly invaluable.

"When I came here in 1993 after studying the renowned Nemtsov model at Nizhniy Novgorod," relates Anthony Dorna, manager of the MFK countries division, "I thought that it would work here in two weeks. Then I was on a trip to Lviv. Eight months passed, and nothing happened. Only the personal intervention of then Prime Minister Kuchma forced the local authorities to get moving."

And the fruits are no less striking today. MFK specialists feel that small-scale privatization is successful if 60 percent of the trade and consumer-services enterprises in a locality are privatized. The MFK reports that as of July 1, the percentages of enterprises transferred into private hands were 91 in Khmelnytskyy, 82 in Cherkasy, 81 in Uzhhorod, 75 in Luhansk, 75 in Mariupol, and 65 in Zaporizhzhya.

Privatization has moved at the fastest pace in the industrial centers of southern and eastern Ukraine. "That is where we are meeting with the greatest understanding among the progressive leaders of the local administrations," said the project leader for Ukraine and Belarus, Stephen Miller. Zaporizhzhya was one of the first to request the MFK experts. Mariupol completed the entire set of preparations in a record 7—8 months, instead of the usual year and a half. Luhansk was selected as the pilot city for the so-called "Post-Privatization Support Program" for its exemplary implementation of small-scale privatization; it includes the creation of a Business Center for the training of new owners, and a review of the system of taxation.

Kiev has ended up at the rear in small-scale privatization. The State Property Fund cannot find common ground with the capital's administration. That administration, according to the FDM version, despite the presidential decree, is flatly refusing to privatize the buildings and facilities of small-scale privatization. "The administration of Kiev, in privatizing property but not turning the building over to the private businessman, thereby does not wish to let go of the reins," declared Oleksandr Bondar.

Here is how the "new Ukrainians" see the conditions for their business. Our legislation (or perhaps lack thereof?) and high taxes bother them the most. They do not care about rackets or the corruption of state officials.

Problem	Very significant	Significant	Not very significant	Quite insignificant	Not a problem
Restrictions established by the terms of privatization	16.11	16.11	3.89	6.67	47.78
The lack of coordination and instability of legislation	57.22	25.56	4.44	6.11	3.89

Problem	Very significant	Significant	Not very significant	Quite insignificant	Not a problem
Problems of supply	10.00	12.78	15.00	13.33	39.44
Problems of sales	15.56	25.00	13.89	7.78	30.56
High taxes	70.56	18.89	4.44	2.22	1.11
Shortage of working capital	43.89	16.11	12.78	8.89	9.44
Obtaining credit	16.11	7.22	4.44	3.89	57.78
Obtaining licenses	12.78	10.00	5.56	7.73	52.22
Corruption of authorities	11.67	7.22	6.67	10.56	51.11
Rackets and crime	3.89	3.33	5.56	5.56	68.33
Lack of knowledge to run a business	2.78	13.89	15.00	16.11	40.00
Personnel problems	3.33	6.67	5.56	6.11	66.67
Problems with accommodations	7.78	8.89	4.44	1.11	62.78

*Ferrous Metal Sector Reconstruction Costs Estimated

954F3018A Moscow DELOVOY MIR in Russian No 29, 31 Jul-6 Aug 95 p 10

[Article by Nikolay Sidorov, Scientific Research Economics Institute of the Ministry of Economics of Ukraine, Kiev, article of the DM-Agency: "It Will Take 40 Billion Dollars To Restructure Ferrous Metallurgy"]

[FBIS Translated Text] Ferrous metals make up about 60 percent of the overall volume of construction materials. The rest are items made of wood, aluminum, or plastic. The existing structure of construction materials will be maintained in the near future as well, and this means that the problem of developing ferrous metallurgy, which occupies a decisive position in the structure of Ukraine's industry, will also continue to be important in the future. This assertion is based on the fact that the conditions for the development of ferrous metallurgy exist in the republic—it has large reserves of iron and manganese ores, production capacities and metallurgical plants, personnel, and a developed machine building complex and construction industry.

In the past ferrous metallurgy of Ukraine has produced many types of metal products (rails, large-diameter pipes, various types of girders) in volumes that significantly exceed the demands of the domestic market. But thin cold-rolled sheet metal, tin plate, coated sheets and pipes, non-rusting steel, steel for electrical engineering purposes, and other types of high-quality and costly metallurgical products have been in critically short supply. This situation remains even today. It makes it necessary to structurally rearrange metallurgical production, which will result in improvement of the supply of Ukraine with its own metals with a smaller volume of output of rolled metals, an increase in the effectiveness of foreign economic exchange, and a reduction of production costs. Calculations of the Scientific Research Economics Institute of the Ministry of Economics of Ukraine show that in the future, taking into account the export of 10 million tonnes of rolled metal and pipes a year and imports of 1-2 million tonnes of metal products, the annual output of rolled metal by the year 2010 can be anticipated in the amount of 28.5 million tonnes, that is, 26.1 percent less than in 1990.

And it is intended to increase the output of rolled sheet metal from 13.5 to 14.5 million tonnes, and thin sheet metal from 5.3 to 9.5 million tonnes a year, including cold-rolled sheet metal, from 2.1 to 3.7 million tonnes, and hot-rolled sheet metal, from 4.8 to 12 million tonnes, and the productivity of coated sheet metal and tin plate, from 0.5 to 1.1 million tonnes. To do this it will be necessary to construct six thin sheet metal rolling mills (at the Makeyevka combine, Zaporozhstal, and the Yenikiyevka plant), three of which will be for producing cold-rolled sheet metal.

It will be necessary to do a considerable amount of work for building pipe shops, and of the eight machine tools that are to be commissioned, six are intended for producing water pipelines: two at the Mariupol metallurgical combine imeni Ilich, one at the Khartsiz pipe plant, and three at the plant imeni Komintern. And although the annual volume of output of steel pipe is to decrease from 6.5 to 5 million tonnes by the year 2010 as compared to 1990, it is recommended that the output of pipes with coatings be increased during that period from 336,000 to 900,000 tonnes, which will require commissioning new capacities for producing 860,000 tonnes of pipe with metallic and non-metallic coating.

The high economic effectiveness of the realization of the version of structural rearrangement that is proposed is apparent if one takes into account that it will make it possible to reduce imports of costly types of metal products by 7-8 million tonnes a year.

The measures that are being proposed would also make it possible to reduce costs of producing metal because of the introduction of more progressive technologies. Thus radical changes are to be made in steel smelting production, where it is proposed to fully replace the currently prevalent open hearth method with steel smelting using oxygen-converter and electric furnaces.

Therefore, it will be necessary to build an additional 13 converters and four electric furnaces. In order to reduce the expenditure of metal on the output of rolled metal it is intended to build 32 machines for continuous smelting of blanks with an overall capacity of 27.6 million tonnes a year, which will make it possible to increase the part of steel production in which these machines are utilized to 90 percent as compared to the 7.6 percent that has been reached and to reduce the demand for metal for rolling production by a volume of 4.2 million tonnes a year.

The implementation of the measures for structural rearrangement of ferrous metallurgy that are being proposed by the Scientific Research Economics Institute of the Ministry of Economics of Ukraine will lead to a considerable change in the composition of the fixed production capital. This is conditioned not only by the construction of the above-indicated and a number of other metallurgical complexes but also by the removal of those that are obsolete and worn out.

And this includes nine blooming mills, one slabbing mill, 18 rolling mills, 68 open-hearth furnaces, five converters, 32 blast furnaces, and a number of sinter plants and a number of chemical coke recovery plants. Significant changes will also take place in the energy economy of metallurgical enterprises because of the reduction of the volumes of output of pig iron, steel, rolled metal, pipes, and other products and the replacement of the production structure. Thus as compared to 1990, in 2010 the output of rolled metal will decrease by 26 percent, the smelting of steel and iron by a factor of 1.4, and coke production by 54 percent.

The aforementioned results of structural rearrangement may be achieved with the observance of a number of important conditions. One of them is that a comprehensive program be drawn up for the development of metallurgical production and metal-consuming branches (mainly machine building). This is necessary because Ukraine does not produce many types of products of the machine-building complex (for example, machines for continuous smelting of steel), which could retard the structural rearrangement in metallurgical production.

Another condition for the implementation of measures is the need for immense amounts of money (40-45 billion dollars), which can be provided with the help of state subsidies and preferential credit conditions, the attraction of foreign investments, and the introduction of other measures for financing numerous construction projects.

The period of structural rearrangement is characterized by radical changes in steel smelting production brought about primarily by decisions to replace the open-hearth method of smelting steel with the oxygen-converter or electric furnaces. These methods are not the same. The former is intended for obtaining mass metal and the latter—for smelting high-quality steels. The oxygen converter method is based on the utilization of molten iron. In electric furnace production practically the only component of the charge is scrap metal.

The implementation of the aforementioned and other proposals for carrying out the program for structural rearrangement (with the support of the state or under its supervision) will provide for a significant increase in the effectiveness of metallurgical production in Ukraine.

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*Land Reform Efforts Viewed

954F2988A Kiev GOLOS UKRAINY in Russian
1 Aug 95 p 13

[Interview with former employee of the Ministry of Agriculture Nikolay Gorbovich by Stepan Tkachenko; place and date not given: "Land Reform: Is It Really So Difficult and Frightening...."]

[FBIS Translated Text] A delicate and strange situation has emerged. It seems that everybody understands that the land, and only the land, is our greatest treasure; that it is the land that should become the foundation, the launching pad, the guarantor of our independence and prosperity. Everybody talks about reforming the forms of property in the rural sector. The president even issued an edict on speeding up land reform. But the undertaking is not moving anywhere, as if caught in a strong vortex of inertia and conservatism. What is the impediment?

I asked Nikolay Gorbovich, former employee of the Ministry of Agriculture, to answer this question, since he has been working on this issue for a long time and he and I attempted to promote it at some farms in two Ukrainian oblasts.

[Gorbovich] The situation is indeed interesting: We understand what needs to be done—and are not doing it, despite the fact that the political and legal conditions already make it possible to act.

The main limiting factor is insufficient commitment to reforms, first of all on the part of the executive branch. There is no clear state policy, ideology, or concept of the reform mechanism. There is no concrete state apparat or persons to develop this mechanism, provide a clear normative-legal base and tax policy and implement it, and carry the responsibility for reforms. So far, everything is being done at the level of declarations and general legislative acts. For instance, in keeping with the Land Code and the Cabinet of Ministers decree, at least garden and house-adjacent plots should have been privatized by now. But people still have not received land use acts. State organs seem to be waiting for people to do it on their own. But this is not going to work.

The majority of the rural population these days are older people, who are used to a no-owner, collective method of production and living. Quite naturally, they are afraid of property reforms; they think that they will be deceived and forgotten by everyone. While in a collective farm they at least have the right to vote.

[Tkachenko] This is on the level of the collectivist psychology of the ordinary worker. But there is the director who should set the tone in this matter....

[Gorbovich] I would rather not talk about this nonsense—when it is in the interests of the farm director to have a no-owner farm, where he has little responsibility for anything today but has everything at his disposal. It is in his interests not to hurry, to scare kolkhoz members with the farmer, kulak, capitalist from abroad who for some reason absolutely is bound to come and buy their land. It is in his interests to gloss over the fact that changing the form of ownership does not necessarily entail the destruction of a collective farm.

Still, I believe that we should not dramatize the situation with directors or judge them so harshly. We all have our roots in the past. The directors also gained their experience in the past. We get an order—we go ahead and do it, fulfill it, and even overfulfill it. But people need to be not only ordered but also told how to do it.

So far, however, we have only been told: Do it. But they did not give us a normative-legal mechanism that clearly outlines the methodology of reforming, the multiple choices, the rights and responsibilities of the parties (the citizen and the state). Therefore, the only thing many farms did was divide the land into shares, as they were told. But they do not know what to do with it next, or how a person can privatize it, because the law does not regulate property relations in the rural sector. That is why people say that this is a trick being played on the peasants. Because they have not been convinced that this will be their land, that they will be owners of it, that the current legislation and state are the guarantors of their right to the land, as well as of their children's right to inherit this share.

What is encouraging is that young people want to get their hands on the land, while being aware at the same time that collective farms should not be broken up and their material-technical base pulled apart. All we need is to privatize the land as soon as possible. And then the peasants will feed the people.

The important part is, after dividing the shares, to create the opportunity for everyone who wants to choose a land share. For this purpose we have drafted different statutes—on property, land shares, self-financing, protection of contribution in the form of property, and other normative documents for enterprises. We also introduced the notion of "land share equivalent," which depends on the type of agricultural land and fertility level (according to the cadaster appraisal).

[Tkachenko] All right, but where do I, an urban prodigal son, get a share?

[Gorbovich] You can do it. For this, you need to get a job in a collective agricultural enterprise and get a share, or earn it there, or work so well that people will entrust their shares to you, or simply buy a share....

[Tkachenko] But land cannot be sold.

[Gorbovich] Yes, it can. And it has a price. The law on land tax sets the price. Exchange, sale, mortgage, lease, giving as a gift, transfer by inheritance—these are normal processes of commodity relations. And now our concern is how to regulate these processes legislatively, so that they will work for the domestic producer and protect his interests.

[Tkachenko] One hears quite often that we should not rush reform. I, however, after our trips and meetings with grain-growers, feel sore that we are losing time and faith. How can we speed up this process?

[Gorbovich] There may be many ways to implement the reforms. Including those tested by us. For instance, creating in the Cabinet of Ministers a group of experts made up of economists and jurists. Developing with them a concept, an implementation mechanism, preparing options and packages of legislative acts. By the way, we have already worked out these options.

Experts travel to oblasts, conduct training there, study the specificities, control the process, and so on.

Other possibilities also exist. For instance, conducting an experiment in several oblasts in different regions. Only one thing is unalterable—all of this should be done in civilized, humanistic, and patriotic way. And not put it off for too long.

Kazakhstan

Comment on Karaganda Enterprises Decree

954F3107B Almaty KAZAKHSTANSKAYA PRAVDA in Russian 12 Aug 95 p 1

[Comment on government coal basin decree by Stanislav Udovenko, head of the Department of Industry and Commerce of the cabinet system]

[FBIS Translated Text] Under the conditions of the transition to the market economy, enterprises of the Karaganda coal basin have found themselves in a profound crisis. Together with objective factors—the physical deterioration of equipment and the increased complexity of mining and geological conditions—financial problems have had a negative effect on their activity also. These latter are primarily the insolvency of practically all the consumers of Karaganda coal produced by the pit method.

The social infrastructure of the mining towns and communities, the upkeep of which requires up to 3.8 billion tenge a year, has also been an insupportable burden on the shoulders of the enterprises of the basin.

The Cabinet of Ministers and ministries and departments of the republic have considered these accumulated problems repeatedly. They have been partially resolved by various measures, instructions, and decrees of the government. The coalminers have not paid republic taxes for approximately a year, for example, and as of May 1994 the prices of their products were released and all coal-export restrictions were lifted.

But these measures did not produce cardinal changes in the state of affairs at the mines inasmuch as the main problem—the subsidizing of underground coal production—has not been resolved. Previously enterprises received via the Ministry of Coal Industry of the former USSR financial resources to the extent of 32 percent of the cost of the fuel produced. Deprived of centralized sources of funding, the mines have found themselves on the verge of bankruptcy.

Today they cannot pay for current services of their partners and suppliers and owe people enormous sums in wages. The work of many structural subdivisions of the basin, particularly of the construction workers, repairmen, and other specialized administrations serving the mines, is practically paralyzed.

Practically no work is being done under these conditions on counterbalancing the galleries that have been worked out, which could lead to the self-destruction of the mines and a mass loss of jobs.

Considering the urgent problems, the cabinet undertook with the participation of specialists of the ministries of economics, finance, energy, and coal industry and leaders of the Karagandaugol Company and trade union bodies a detailed study of the possibilities of a recuperation of the financial state of enterprises of the region.

Various proposals were considered, and, as a result, the corresponding cabinet decree was adopted on 10 August.

This document gives instructions for the corporatization of the mines with the transfer for temporary management to a foreign firm of the state-owned block of their shares. Schedules of work on the closure of the five most unprofitable enterprises are being drawn up. The social infrastructure will be transferred in accordance with a timetable coordinated with the Ministry of Finance to the local administrations.

A decision on the miners being exempted through the end of 1996 from all tax payments, other than income tax, and retirement fund and social security payments is in preparation.

The stale republic tax debt totaling approximately 3 billion tenge has been deferred one further year. The proposal concerning the drawing up of credit for the purchase from the German Man Takraf firm of equipment for the developing Shubarkolskiy open pit was supported.

The transfer to the management of a foreign firm does not change the form of ownership, and the mines will remain the property of the state. The State Property Committee will by a special contract grant the firm the right to manage the mines, but not to possess or dispose of them.

In a word, the government decree determines basic measures for a recuperation of the financial position of the mines. The Ministry of Energy and Coal Industry, the Ministry of Finance, the Karaganda Oblast Administration, and specialists of the basin have to organize purposive work on realization of this document.

Ospanov on Advantages of New Constitution

954F3128A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 16 Aug 95 p 2

[Article by Marat Ospanov: "Why I Accept the New Constitution"]

[FBIS Translated Text] The author of this article is known in the Republic of Kazakhstan as a most convinced and consistent democrat who was formerly head of the first regional democratic club in Aktyubinsk. As a deputy of the 12th Supreme Soviet, he was a leader of the Democratic Kazakhstan group of deputies and was elected deputy chairman of the 13th Supreme Council.

He was an active participant in the adoption of the current constitution, and for this reason KAZAKHSTANSKAYA PRAVDA believes that the thoughts on the country's draft new basic law of a politician well known in the republic will be of interest to its readers.

There are few people who remember now that in October 1990 the Democratic Kazakhstan group of deputies was organized in the 12th Supreme Soviet. Its representatives propagandized and defended from the parliamentary rostrum, in the news media, and at meetings with their constituents the democratic values that have come to be embodied in the present draft constitution.

These include a bicameral parliament, private ownership of the land, strong and united state authorities with a precise separation of the functions of the legislative, executive, and judicial branches, a civilized system of the financing of education and health care, and so forth.

As deputies and members of the said group in that parliament, incidentally, many of the present so-called members of the opposition also spoke of the need for such transformations in politics, economics, and the social and legal spheres.

Why are they today rejecting what yesterday they so fervently and selflessly upheld?

As a direct participant in the social and political and economic transformations that have occurred in the republic since the start of perestroyka, I may say that a kind of double metamorphosis took place at a particular stage in Kazakhstan's democratic movement. The majority of early democrats, those, that is, who were in at the start of it, unable to comprehend the logic of market reforms and even simply fearful of losing the political dividends that they had obtained earlier, departed from their original positions, openly taking the path of rejection of the unpopular methods of the pursuit of market reforms.

But in public opinion and in their own eyes they are still considered democrat politicians for the simple reason that any opposition group with us is automatically classed as democratic and, second, because they defend the values of the totalitarian period of history familiar to the majority. And when, today, my colleagues of yesterday roundly castigate the authors of the draft new constitution for the fact that it has found no room for guarantees of the right to labor and that social justice is built on fair market principles, this confirms the deplorable metamorphosis of Kazakhstan's first democrats, plunging them into the abyss of communist ideals, which failed to justify themselves.

I have to mention another fact also, when certain hopeless conservatives, having sniffed out an opportunity for easy political gain, went into opposition to the actions of the president and the new government, actions perfectly natural from the standpoint of the logic of the market and democracy, attempting in public opinion to garb themselves in the cloak of democracy.

Both understand full well that criticizing the reforms and the true reformers today is far easier than defending them. Just as at the start of the reforms in the USSR it was easier to criticize the pre-perestroyka politicians than to defend them.

Nor could the new democrats, unfortunately, understand (or, possibly, they consider it disadvantageous politically to show people that they understand) the essence and necessity of the current economic reforms. They are attempting to manipulate the everyday consciousness, recognizing full well that defense of the so-called social conquests of the era of the building of communism still easily finds public support. The new democrats are also afraid of defending real democratic values inasmuch as their realization presupposes inevitable sacrifices of an economic, social, and political nature.

These metamorphoses could be seen particularly clearly in the last Supreme Council because the start of its work coincided with the start of realization of the financial and economic policy inspired by the president, which was unpopular, but absolutely urgent and, therefore, essential. There were few among the deputies or in the operative political parties who were bold enough to share the responsibility for its implementation. On the contrary, vain attempts to find a miraculous means of rapid and painless recovery could be observed on their part.

So the tactics of economic reform were the stumbling block for the politicians of Kazakhstan who class themselves as democrats. Criticizing the measures pertaining to macroeconomic stabilization and their primacy in relation to microeconomic transformations, they are, in fact, going against the pivot of any democracy—market relations. In actual fact, in objecting to the sole possible version of their composition, they are impeding the speediest formation of the economic basis of genuine democracy. On the other hand, the democrats are unduly preoccupied with the outward trappings of democracy to the detriment of its real substance.

Whence it is clear why the draft constitution is being criticized on their part. Because all its provisions and propositions regulating the relations of man and society and the individual and the power institutions are formulated with regard to the new market categories. The logic of the new constitution is the logic of the market, the logic of market democracy! The "democrats," however, are still, just like the incorrigible communists, seeking in it the logic of the command economy, although they are having a great deal to say about democracy.

Can the attempts to determine who has more power—the president or parliament—be productive? Is this not a Bolshevik approach to the problem? And is this the question that the constitution is required to answer? Does the constitution give any of its branches a monopoly on power—this is what is important! It is perfectly obvious even to the non-lawyer that the provisions of the constitution do not create a monopoly on power either for the president or parliament or the court.

If, on the other hand, we are talking about the command authority of parliament, there were no problems with the quantity of power either for the penultimate or the last supreme councils. There was merely a problem of the administration of this power. As an economist and financial expert and a deputy of both parliaments, I may say that the legislators always had the "power of the purse"— the authority to determine the amount and the extent of taxes and the budgetary expenditure of the government. But the deputies did not learn to use their power for the good of the electorate. Parliament, the last one particularly, always readily voted for a reduction in taxes and an increase in spending simultaneously. It is impossible to think of anything more inane! Politically safe and, at the same time, less complex supervisory activity was substituted for complex and subtle work in the sphere of budgetary policy. It is perfectly natural, therefore, that, having been unable to administer power correctly, parliament was forced to quit the political arena far sooner than its constitutional term.

Perhaps my mention of the past will seem dishonorable. But we are linking all too big hopes with the immediate future. Therefore, I consider these "unrefined" gestures justified and permissible.

I am sure that, having supported the draft new constitution, democrats will rid themselves of the infantile ailment and will contribute to the formation of real democratic values.

We need to understand one normality, namely, that the constitution of any country has its specific features characteristic only of this country. A particular feature of the constitutional building of Kazakhstan is strong state authorities elected democratically, supported by the people, and based on the law. The people elected their president in December 1991 practically unanimously and this spring extended his term until the year 2000. No one could deny the unity of the people and state power as a fact. It is for this reason that Article 42 (clause 2) records: "The president of the republic is the symbol and guarantor of the unity of the people and state power, the permanency of the constitution, and the rights and liberties of man and citizen." So it has been and so it will be hence forward, regardless of who is the head of our state in the future. For the transitional period the principal guarantor of stability in society should be strong state authorities qualified in their rights by the law. Society supports the authorities, the authorities rely only on the law—such is the core of the democratic order.

Or take the provision of Article 39 of the draft: "All actions that could disturb interethnic harmony shall be deemed unconstitutional." I am wholeheartedly for this wording, although some lawyers and opponents consider it vague. Kazakhstan is a polyethnic society, and without political stability and interethnic harmony the normal development of the state and society is impossible. I am convinced that for the vast majority of Kazakhstanis, regardless of national affiliation, the provision concerning the unconstitutionality of all actions capable of disturbing interethnic peace in our state is absolutely acceptable. Such wording was not thought up by the president, it logically ensues from life itself, from the specific social and political and state experience of sovereign Kazakhstan. No one now remembers the causes of the tragedy of Sumgait, Osh, Fergana, the Dniester region, Ossetia, Abkhazia, Karabakh. Did they not arise because abstract democratic values proved to be higher than the specific and definite demands for a complete ban on all actions undermining interethnic harmony? From the viewpoint of the law, the wording in the draft is absolutely correct and precise. Current legislation (criminal law in this case) will regulate this matter.

And many more such examples confirming that the draft constitution proceeds from common sense, is based on logical stability and legality, and is geared to a strengthening of statehood and the maximum protection of human rights and liberties could be adduced. I see no need for this, it is simply necessary to closely and thoughtfully study the draft basic law itself.

I will say frankly that some people are confused by the form of adoption of the constitution via a general referendum. Opponents are insisting that the new constitution be adopted by the newly elected parliament? Why? Because this is what is recorded in the 1993 Constitution?

I shall not speak about the imperfection of this document, which represented merely a compromise between the institution of the presidency and the soviet-communist system. But I involuntarily recall in this connection the words of the great Thomas Jefferson, the father of American democracy: "The idea that state and public institutions, once established, can be neither touched nor changed, this idea becomes the height of absurdity when applied against the nation itself, the people themselves." If people call themselves democrats, why are they opposed to the right of the people themselves to determine what kind of constitution is right for them? Relying on the provisions of the 1993 Constitution, the pseudodemocrats are, in fact, going against their own people.

Jefferson observed repeatedly that democracy means stability and confidence in the future. He said upon assuming the U.S. presidency: "The first concern of my heart is my country. It has within it my family, my property, and my own existence. Outside of it I have not a penny's worth of interests or attachments or any other inducements to prefer one nation to another, except for one: how more or how less friendly it is toward us." And the fact that the draft Constitution of the Republic of Kazakhstan proceeds primarily from the interests of the Kazakhstani people and the young sovereign state is obvious. The sources of all power reside in the people, and the fact that President Nazarbayev has twice on matters of great state importance appealed directly to the people is a manifestation of the democracy about which members of the opposition of all stripes are displaying their concern.

The term "Nazarbayev's velvet reform" is now making the rounds in the CIS and in the far abroad. Its essence is that reforms can and should be undertaken without serious interethnic and social conflicts. Only under conditions of peace can we structurally reorganize the economy and attract foreign investments, really strengthen and develop the private sector, and pursue a serious social policy.

The draft constitution affords scope for activity for both the state and for broad social groups of the populace which desire positive change. We have embarked on the path of a civil society and a state based on the rule of law. This path is thorny and is not strewn with roses but we have to feel ourselves to be free citizens independently paving our own way in life and sensing our personal responsibility for our families and our state.

Decree on Karaganda Coal Basin Enterprises

954F3107A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 12 Aug 95 p 1

[Decree of the Cabinet of Ministers of Kazakhstan: "Plan of Priority Measures for the Recuperation of the Financial and Economic Activity of Enterprises of the Karaganda Coal Basin"]

[FBIS Translated Text] For an improvement in the financial condition of enterprises of the Karagandaugol State Holding Company and the social infrastructure of the mining towns and communities the Cabinet of Ministers of Kazakhstan decrees:

1. That it approves the plan of priority of measures for the recuperation of the financial and economic activity of enterprises of the Karagandaugol State Holding Company.

2. That it entrusts to the principal leaders of ministries and departments and the chief of the Karaganda Oblast Administration personal responsibility for fulfillment of the plan of priority measures.

3. That the system of the Cabinet of Ministers of the Republic of Kazakhstan shall monitor the progress of realization of this decree.

[Signed] A. Kazhegeldin, prime minister of the Republic of Kazakhstan

10 August 1995.

Azerbaijan

Reaction to Privatization Plan Surveyed

954F3121A Moscow SEGODNYA in Russian
5 Aug 95 p 4

[Article by Arif Useynov: "Privatization Launched in Azerbaijan: Opposition Parties Doubt Its Success"]

[FBIS Translated Text] Baku—The National Assembly recently approved the program of the privatization of state property, the implementation of which is geared to the period 1995-1998. According to Rasul Guliyev, speaker of parliament, privatization can no longer be deferred since the switch of the economy to a market track will depend on how quickly the property of the state becomes private property. The demands of the international banks, which linked the question of the allocation of credit to Azerbaijan with the need for the denationalization of property, were tough also.

Those who were hoping that privatization would be postponed until a settlement of the Karabakh conflict had been completed miscalculated. Azerbaijan's economic independence, according to President Geydar Aliyev, is linked with how soon the country handles the reforms—primarily privatization. According to specialists' estimates, the denationalization process will entail considerable complications.

The program adopted by the Assembly does not satisfy all. The opposition political parties and independent economists are criticizing it first and foremost. They are making no secret of their skeptical attitude toward the value indicators of the state property contained in the program and maintaining that privatization in Azerbaijan will be conducted in formal fashion with the ruling regime's continued control over the economy. Many members of the opposition believe that the property was shared out long since by corrupt and mafia circles and that it is only a question of the legal enshrinement of the actual situation.

Such critical remarks have been provoked to a considerable extent by the authors of the program themselves. Independent economists have revealed a number of omissions. Thus state property at the start of last year was valued at 4.559 trillion manat. This amounts to little more than $1 billion. Etibar Mamedov, leader of the National Independence Party, also called attention to this fact: The property of the state appears meager, whereas $7.5 billion in capital investments will be required for implementation of the contract of the international oil consortium. It is simply unbelievable, Mr. Mamedov sums up, that the value of the entire assets of the Azerbaijan Republic constitutes one-seventh of the investments of the "contract of the century". At the same time, on the other hand, Speaker Rasul Guliyev values state property at 60-65 trillion manat.

Dzhumshud Nuriyev, chairman of the parliamentary Budget Control Commission, maintains that 70 percent of the state property has already been privatized illegally. In other words, thousands of properties have an actual owner, who will hardly want to part with his property. Difficulties have arisen over the value of the privatization share also. It is put at a sum of 367,000 manat. The program approved by the Assembly says that the population of the country will receive on a nonreturnable basis in the form of a share, 65 percent of the assets to be privatized. Doubts are connected with the fact that an inhabitant of the country, having acquired his privatization check, will be unable to use it until the revaluation of state property begins. And this means that the sale of the stock of the privatization facilities—plants and factories, industrial complexes, and so forth—will be postponed indefinitely. It is perfectly probable that people living in poverty will sell off their checks for half-price, not waiting until they can be exchanged for stock.

The privatization program, which has undergone, it has been announced, expert examination in various international organizations, still requires extensive and thorough explanation. Otherwise, observers believe, the opposition forces will use the controversial and contradictory aspects of the program to discredit the economic policy of the country's present leadership. And it is just the right time for this—the eve of parliamentary elections.

Lithuania

*Kaunas Mafia Activities Detailed

954K0673A Vilnius LIETUVOS RYTAS in Lithuanian 19 Jul 95 pp 33-34

[Article by Arvydas Lekavicius: "The Criminal World of Kaunas: Attempts to Create a State Within a State"]

[FBIS Translated Text] Several weeks ago, LIETUVOS RYTAS wrote about organized robbery by one of the top authorities of the Kaunas criminal world, A. Jankevicius, nicknamed "Pshidze," in the course of which million dollars of the Joint-Stock Innovational Bank (AKCINIS INOVACINIS BANKAS) came into the hands of the Kaunas "families." After an interval of several years, this is the first time that the crimes perpetrated by Mafia bosses have come into the open — until then, only less significant Kaunas groups, and usually those that somehow displeased the Mafia leaders, were being uncovered.

When, following the assassination of journalist V. Lingys, the "Vilnius brigade" suffered a serious blow, the Kaunas Mafia started penetrating the country's capital and other regions that hitherto were not under its sway. The people of the Kaunas Mafia also quickly infiltrated business and official institutions, and took over some illegal sources for the acquisition of money. With large sums of money at its disposal, the Mafia maintains famous sports teams and generously distributes charitable donations.

According to police data, more than 20 "families," gravitating around the "doctors" group and numbering several hundred people, exist at present in Kaunas. In addition, several thousand helpers are ready to execute any order of their bosses at any time. The leaders of the "families" have passed through a most cruel selection and obey the merciless internal laws.

The country's high officials have been maintaining for a long time that a Mafia did not exist in Lithuania. Yet veteran crime experts maintain that a genuine Mafia has been existing in Kaunas for more than a decade. By penetrating all areas of life, it compels the society, too, to live according to its laws.

Today we are starting publication of an investigation by a LIETUVOS RYTAS journalist, dealing with the origins and the development of the Kaunas Mafia, the existential struggle of various groups, the links with the government, and the ways of acquiring money.

The Death of the Varena Militiaman

The name of the Kaunas "doctors" group was first officially mentioned in 1979. It was then that J. Grudzinskas, chief of the criminal sub-section of the Varena raion, inquired about them at the Kaunas militia.

Recognized more than once as Lithuania's top militiaman, J. Grudzinskas was fanatically devoted to his work and was very courageous. To be able to obtain more information, he had learned the Gypsy language.

In 1979, a large gang of robbers that had been running wild in the Varena raion was exposed at J. Grudzinskas initiative. Its members included the then well-known basketballer E. Hakas, who was playing for the Kaunas ZALGIRIS team. The gang's connections led to the "doctors" group, which attracted the crime fighter's special interest. J. Grudzinskas established that numerous individuals who are today notorious in the world of crime —Henrikas Daktaras, nicknamed "Henyte," who is mentioned as the present boss of the Kaunas Mafia; his father and his father's brothers; the leader of the present Kaunas "families," J. Nagrodskis, nicknamed "Negras" and others —were all linked with E. Hakas group. Although the Kaunas militia sent an official reply that such a "doctors" group did not exist, J. Grudzinskas went on to collect data and to trace the "doctors" footprints.

One early morning in the summer of 1990, he left for work from his mother's house in the village of Gudeliai. The road to the station led through the forest.

This was his customary route, because he used to visit his mother rather frequently. However, J. Grudzinskas never reached his office that day. Only several weeks later his corpse was discovered in a river with a bullet wound in his head.

This crime has not been cleared up to this very day. One of the most serious versions maintains that the militiaman who had discovered the traces was thus removed by the "doctors."

This is also what members of the E. Hakas' gang, who were apprehended by J. Grudzinskas, were saying during their interrogation. One of them said that the killer might have been one of the leaders of the "doctors" group — J. Visgirdas, nicknamed "Haltas," a five times convicted alcoholic and drug addict known for his extraordinary cruelty. But when "Haltas" sensed danger, he went into hiding and evaded interrogation. The authorities failed to find more evidence that would help in solving this crime.

In 1987, J. Visgirdas was convicted together with H. Daktaras and other accomplices for burglaries and other crimes. He died in 1990 at the Marijampole hard labor penal colony; alcohol had irreparably damaged his liver. The son of "Haltas' was murdered in 1993 during the notorious massacre at the "Vilija" restaurant. Four more individuals from H. Daktaras circle were shot dead together with him.

Hooligans from the Same Courtyard

J. Visgirdas also used to booze together with "Henyte's" father and with Henrikas Daktaras. The latter resided with his brothers and sister (there were nine brothers and four sisters in the family) at No. 18, Naujalis street. That house was owned by the Daktarases since the prewar times, when they were already notorious for their criminal activity. "Henyte's" father, who was tried for hooliganism, and his brothers in Kaunas were known as rowdies, thieves and resellers of stolen goods. The apartment of "Henyte's" father was a constant gathering place for noisy companions.

The future boss of the Kaunas Mafia, Henrikas Daktaras, also resided in this house on Naujalis street. So did the former leaders of the Vilijampole gangs, the brothers Rimantas and Deividas Ganusauskas as well as their cousin Ricardas Ganusauskas, nicknamed "Mongolas," "Mongoliukas" and "Ganusia" (their grandmother is "Henyte's" father's sister). By the way, last weekend D. Ganusauskas ("Mongoliukas") was detained in Palanga as a suspect in a criminal case.

The foundations of the present "doctors" family were formed on the basis of the courtyard principle. Hooligans from neighboring houses used to congregate in the courtyard of the above mentioned house in Naujalis street. At first, they were united by a common hobby, raising pigeons, and later, since about 1975, by crimes.

The "doctors" gang were at first plain hooligans, distinguished by their insolence and cynicism. In addition to "Haltas," Mecislovas, the younger brother of "Henyte" nicknamed "Mecyte," was also notorious for these reasons. Still as a juvenile, he was known as a rapist of young women. He was particularly fond of boozing in the "Vilija" restaurant, from where he would force young women outside, beat on them, and compel them to commit intercourse. (In 1993, "Vilija" was privatized by H. Daktaras; the "families" used to hold meetings in this restaurant.)

In 1976, Mecislovas Daktaras was sentenced to 9 years of prison. He had approached a young woman relaxing on one of the Kaunas beaches and told her that he and his friends needed sex. When the young woman refused, M. Daktaras took off her spectacles and cut up her face with the glass. The first one to rape her was M. Daktaras, who was followed by the contemporary celebrities of the criminal world: E. Abarius, nicknamed "Goga," R. Ganusauskas, nicknamed "Ganusia," and C. Sakalauskas.

On his return from the penal colony, M. Daktaras took part in the "doctors" criminal activity. In 1985, he perished in an automobile accident, while driving together with another member of the gang, R. Zilinskas.

Aggressiveness and Luxury

Henrikas Daktaras, who studied at a technical trade school and specialized in tiling floors, was also very aggressive in his young days. He was capable of beating up an innocent bystander for no reason whatsoever.

The funeral of Ceslovas Ganusauskas, father of "Mongolas" and "Mongoliukas," took place in 1986. One of the guests invited to the home where the deceased was laid out was K. Jonavicius, a resident of Kaunas. When he arrived, H. Daktaras, "Mongoliukas" and K. Petronis, nicknamed "Patronas," ordered him to get into a car. As soon as the car started moving, H. Daktaras started beating K. Jonavicius. They drove beyond the city's limits and then all three continued the beating. K. Jonavicius was ordered to write an I.O.U. and a statement that he had planned to burglarize the apartment. When K. Jonavicius wrote it all down, they drove him back home and took 700 rubles from him.

"Henyte's" mother, Janina Daktariene (who also had a previous record) described Henrikas as a very impulsive and aggressive individual who had difficulty in controlling himself, but who would also calm down quickly and was of a compassionate nature. "Henyte" was very suspicious and did not allow everybody to join his inner circle. After he got married in 1980, he forbade even his wife's best friend to visit their home. His predilections are characterized by the pornographic videos that were uncovered during a house search at that time.

H. Daktaras was already enjoying a life of luxury those days. The house he owned in the village of Usledziai, Kaunas raion, was furnished with western furniture and appliances which were rare at that time. Many of those things (the Finnish air conditioner, etc.) were stolen or purchased after selling stolen goods. The parties organized by H. Daktaras usually drew crowds of some 100 people.

Following two convictions for hooliganism in 1977 and 1978 and imprisonment in Pravleniskes, H. Daktaras changed — he began to drink less and took up sports.

Together with R. Ganusauskas, nicknamed "Mongolas," he assumed the leadership of his courtyard gang, robbed wealthy people and extorted money from individuals who were working at home. The crimes were organized by R. Ganusauskas, while the perpetrators were led by H. Daktaras.

The Kaunas Militiamen Were Helpers

Some smaller gangs were also active in Kaunas at that time. They provided a foundation for the subsequent formation of the present Kaunas "families" and the emergence of individual authoritative figures of the criminal world.

Back in 1973, at a strategy session held in the Ministry of the Interior, it was emphasized that Kaunas had become a distinct hatchery of Lithuania's criminals, while the city's militia was protecting them or even cooperating with the gangs.

Much talk in that session focused on the activities of the safecracker R. Zilinskas' gang; at present he occupies an influential position in the "doctors" family. It was asserted at the meeting that R. Zilinskas' group was being protected by the militia of Kaunas Panemune raion.

In spite of the criticism voiced by the chiefs of the Kaunas militia, the number of well organized gangs was rapidly increasing in the city.

In the late seventies, the people of Lithuania were kept in fear by S. Bulatovas' gang; today he calls himself a businessman. The members of that gang frequently wore militiamen's uniforms and used to rob wealthier individuals, including even their own acquaintances. Until his arrest, S. Bulatovas used to rub shoulders with the officers of the Kaunas militia. Subsequently, S. Bulatovas became the president of "Demos," "Lirida" and other firms and served as one of the intermediaries between the chieftains of the criminal world and the police.

In 1981, the group of Arturas Juskevicius, nicknamed "Juske," was exposed; at present, he is the leader of one of the most influential Kaunas "families." At that time, A. Juskevicius, together with his brother Algimantas and two then inspectors of the Kaunas criminal investigation, used to extort money from illegal private merchants. As a rule, "Juske" would approach someone peddling jeans or other scarce goods at the Aleksotas market and they would agree that he would buy a larger quantity. When the peddler would bring the goods to A. Juskevicius, they would be confronted by a militiaman accomplice of "Juske" who would flash his official badge and detain both "speculators." On the way to the militia station, he would explain how many years in prison they might get for speculation. But the arrestee had the opportunity of ransoming himself by paying one thousand rubles for each potential year in prison.

The Criminals Were Hiding the "Chief"

At that time strategical data was already available, indicating that many of the criminals' actions were coordinated by someone's experienced hand. This was also confirmed by several large-scale burglaries.

In 1978, criminals armed with revolvers tried to snatch from the book-keeper of the Academy of Veterinary Medicine a very large sum for that time — 120 thousand rubles. The criminals knew very well when the book-keeper would pick up the money from the bank and what route he would take. The robbers were shadowing their victim for several days. But the meticulously prepared operation did not succeed — when the book-keeper was knocked down in the village of Giralte, Kaunas raion, he fell on the sack of money and started screaming. The robbers became confused and fled.

When the criminals were subsequently detained and incarcerated, they exchanged written messages among themselves saying that the "chief" must not be betrayed. "Just think how others would view us, life would become completely impossible, because he had served time and has friends in all the zones," one robber wrote to another.

Nobody conducted a proper search for the "chief" at that time, anyway.

The participants in this attempted robbery were also active at that time in another, the so-called "physicians" group. The group's name has to do with the fact that it really contained medics.

One member of the group, A. Levinas, was a doctor, while others worked as laboratory assistants at the Kaunas Institute of Medicine. One of them, V. Sinevskis (nicknames "Turistas," "Sosiska") occupied one of the highest posts in the Kaunas criminal hierarchy until his unexpected disappearance in 1993.

Police have information that one more physician was associated with the "physicians" group. It is the stomatologist Mejus Velonskis, who resides in the U.S. at present. He is the brother of the well-known millionaire Simas Velonskis, who happens to be a close friend of President A. Brazauskas.

Information about rich people's apartments were usually supplied by A. Levinas, who made frequent house calls by invitation to examine his patients.

This small and by appearance modest young man rarely aroused anybody's suspicion, although he suffered from megalomania. (When A. Levinas, who now resides in Germany, visits Russia these days, he likes to pretend that he is the father of Lithuania's Mafia.)

Such information was also supplied through his own channels by M. Velonskis, who frequently made calls on wealthy people and knew how to earn their trust.

M. Velonskis' father-in-law, M. Onefateris (now residing in Israel), was working as the deputy chief of interrogation at the Kaunas internal affairs board at that time.

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